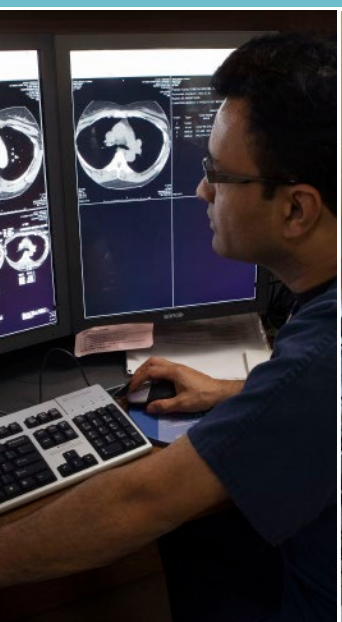
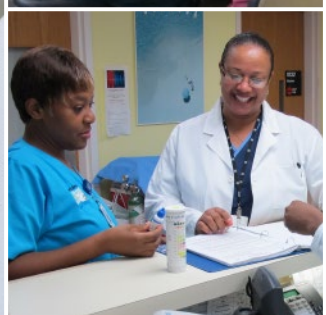
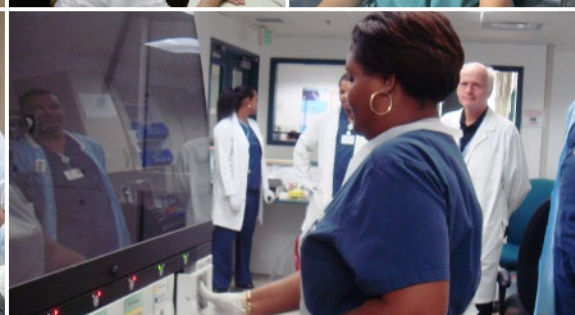
Bermuda Hospitals Board

BHB Annual Report 2012







Government of Bermuda
Ministry of Health and Seniors

As Minister of Health and Seniors, it pleases me to present the Annual Report of the Bermuda Hospitals Board (BHB) for 2012. The delays in its production were unavoidable, and it is important to recognize the benefits gained as a consequence of the thorough Internal Audit process and the Auditor General's positive opinion. With this step completed, it is anticipated that upcoming years' reports will be produced expeditiously to bring BHB up to date for 2016.

It is imperative that everyone in the community recognize that BHB runs the Island's only hospitals. Without them Bermuda's population could not survive many acute physical and psychiatric conditions, or have the safety net which BHB staff provide every day. We need successful, thriving hospitals. And, as a community, we must recognize the hard and essential work the hospitals do.

The year in question was a difficult one financially for BHB for many historical reasons that directly resulted in revenues being below projections. While this led to many tough decisions for the Board and the Ministry, in the long-term, the changes achieved consequently have been undoubtedly good for Bermuda's health system as a whole. We continue to provide all the support required within the confines of the Ministry's responsibilities. We will continue the good work in ensuring better financial management to avoid the pitfalls of the past and ensure the hospital will be financially sustainable.

I would like to thank the hard working and dedicated staff of the BHB who care for patients daily and, at times, in the most difficult circumstances. Your calling to serve and to help others is deeply appreciated; as a community, we are indebted to you. I would also like to thank the members of the Board for their energy and commitment to making the hospitals the best that Bermuda can achieve.

Sincerely,

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

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BHB Annual Report 2011-2012

About BHB

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

BHB serves Bermuda's resident population of approximately 65,000 people, as well as the many visitors who come to the island each year. BHB has the second largest number of employees in Bermuda with about 1,800 full time staff and 200 on-call and locum staff.

Given our relatively isolated geographic location, the Bermuda community needs a range of services broader than would commonly be expected of a hospital serving a similar population base in a larger country with highly specialist services that can't be provided safely on-island referred overseas.

Governance

BHB operates under the Bermuda Hospitals Board Act 1970 and subsequent amendments. Legislation mandates that operations are governed by a Minister-appointed Board to ensure fiscal responsibility in the delivery of high-quality, cost-effective services.

In 2011-12, the Board comprised the following members: Herman Tucker (Chair), Wendall Brown (Deputy Chair), Kelly Francis, Kelly Hodsoll, Barclay Simmons, Bob Wilson, Michael Winfield and David Woodward.

Ex-officio voting Board members were: Dana Goodfellow (HAB Representative) and Wendy Augustus (BHCT Representative).

Ex-officio non-voting Board members were: Dr Michael Cann (Chief Medical Officer), Kevin Monkman (Permanent Secretary for Health) and Dr Donald Thomas III (Chief of Staff).

In 2011-12, operations were overseen by a Senior Management Team. Members were: David Hill (Chief Executive Officer), Venetta Symonds (Deputy CEO), Dr Donald Thomas III (Chief of Staff), Delia Basden (Chief Financial Officer), Judy Richardson (Chief of Nursing, Quality & Risk), Patrice Dill (Chief Operating Officer - MWI), Sue Labus (Chief Operating Officer - KEMH), Scott Pearman (Chief of Business Development), Dion Tucker (Chief Information Officer), Preston Swan (Vice President, Quality & Risk Management), Anna Nowak (Vice President, Public Relations), Harlean Saunders-Fox (Vice President, Medical Operations) and Kerry Garrigan (Vice President, Human Resources).

Funding

Bermuda Hospitals Board is funded in the following ways:

Acute care services at the King Edward VII Memorial Hospital and Lamb Foggo Urgent Care Centre are funded through a fee-for-service, paid for by private insurers, Government or individuals. Continuing Care Unit residents are charged a daily residential fee.

In 2011-12, 61% of KEMH funding came from Government insurance schemes ($163.3m), 31% from private insurance ($83.4m) and 6% from individuals ($16.7m).

Mental health, substance abuse and learning disability services at MWI are funded by an annual operational grant, capital grant and inpatient revenue from insured service users. In 2011-12, MWI was provided with an operational grant of $38.6 million, which reflected a $1 million reduction compared to the grant provided in 2010-11. The capital grant was $120,000, which reflected a $600,000 reduction compared to the grant provided in 2010-11.

All fees and rates charged by BHB for acute care and long term care, and the MWI operational grant, are set by Government and approved through Bermuda's parliamentary system. Fees and rates are published every year and are available on the BHB website.

Message from Peter Everson
Chairman

I am very pleased to introduce BHB's Annual Report and Audited Financial Statements for the fiscal year 2011-12, following a significant delay that included a review by the Department of Internal Audit. The year under review was overseen by a different Board and Chairman. I would like to pay tribute to my predecessors for the achievements in this fiscal year.

There was positive momentum in many areas, but it was in this fiscal year under review that the impact of the financial challenges began to be felt, as can be seen by the drastic drop in surplus from over $17 million in 2010-11 to a deficit of $4 million in 2011-12. BHB's finances were impacted by the introduction of memoranda of understanding with private insurers, Government-directed write offs to subsidy receivables, and below-inflation-rate fee rises. Services increased, for example, with the hiring of a neurologist, two cardiologists and an infectious disease specialist. But this strengthening of services also resulted in higher costs at BHB that drained resources even further. Finally, the grant for MWI was reduced by $1m, causing a great pressure on services and further slowing the rollout of the Mental Health Strategy announced back in 2010.

Against this financial backdrop, people continued to use services at a higher and higher rate. Additionally, as individuals experienced greater economic hardship, more people started relying on BHB's Emergency Services rather than their GPs. This increases premiums for people with insurance, and people without insurance end up with hospital bills. With limited revenue available, more utilisation at BHB did not result in more revenue beyond a set amount. BHB was therefore providing services that were not being fully compensated, compounding its difficult financial situation. In the fiscal year under review, approximately $20m of revenue was effectively lost due to the caps agreed with local insurers ($3m) and the write-off of Government debt ($17m).

BHB's response since this fiscal year has been to reduce costs and focus on quality, efficient services. Its position at the time of writing (2016) has been strong enough to meet all its financial obligations, including the first year of paying for the new Acute Care Wing, without driving up healthcare costs. The actions to achieve this will be covered in future annual reports.

Certainly, there are challenges ahead. The current Board has great commitment and passion for addressing the difficulties and evolving healthcare services in line with best practices and at best value. The management and staff of BHB also continue to work extremely hard to ensure this island receives the quality of services required. We have some difficult times to navigate, but we will chart our course carefully and I have every confidence in the experience, skills and dedication of the teams in place to see us through.

Message from Venetta Symonds
Chief Executive Officer

I would like to start by thanking the staff of BHB for all their achievements during the fiscal year of 2011-12.

Despite the increasingly difficult financial challenges BHB faced in this year under review, it is still important to recognise improvements that were made during this time. These included new technology for medication checks to improve safety, and new physician specialties to improve access to on-island care. The ward renovation project in KEMH was completed and there were continued achievements in rolling out the 2010 Mental Health Strategy, despite a $1m reduction in the Mid-Atlantic Wellness Institute Government grant.

Hospitals never have the luxury of standing still: standards are always being pushed higher, and new techniques and treatments are introduced as best practices. The improvements at BHB have continued despite the deteriorating economy. The dedication to raise the bar on services and address issues that arise reflects our staff members' desire to care for patients to the highest standards. It is this focus that has seen patient satisfaction continue to trend upwards, and projects have been completed that have improved, for example, our ability to catch cervical cancer with greater accuracy and reduce the potential for medication errors.

The move to the new Acute Care Wing was over two years away in the fiscal year 2011-12, but it took a lot of our attention. Intense preparation was needed to ensure the safe transfer of patients to a new facility, many of whom were very sick. Staff had to be trained and ready to use new standards of care when we moved. These activities came under our 'Operational Readiness' project, and took up more and more of our time and resources as the transfer to the new facility neared. No matter what happened around us, our focus on this safe transition was a priority.

Finally, it is important to recognise that the financial challenges of the hospital and healthcare in Bermuda are still being felt around the world. Our situation is by no means unique, and both private and public healthcare models in the US, Canada and Europe are desperately seeking ways of operating that maintain access and quality while controlling costs and improving governance. At BHB we will continue to work with our partners in the healthcare system to seek solutions, while evolving our services to ensure quality and efficiency.

Patient **Satisfaction**

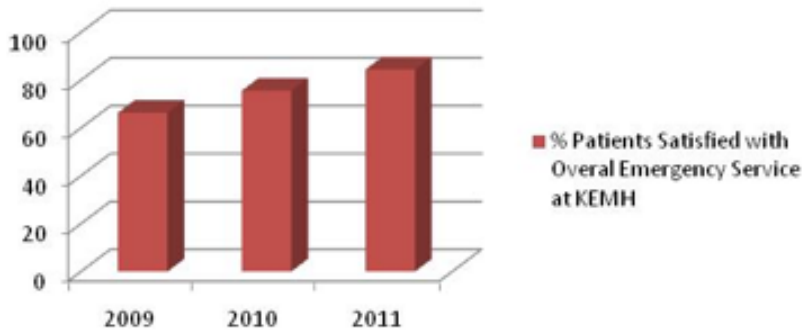
In February 2012, Bermuda Hospitals Board released the first ever annualized results from its monthly patient satisfaction survey, looking back over three years.

An independent company carries out the survey on behalf of BHB, with surveyors telephoning over 300 people each month. The calls are made within 30 days of a patient being discharged or within 30 days of accessing a hospital outpatient service to ensure the experience is still fresh.

The three-year review therefore includes over 10,000 surveys – the most comprehensive and accurate data available about the perception of hospital services by the people who use them. The results are anonymous and independently sourced and analysed.

Emergency Service

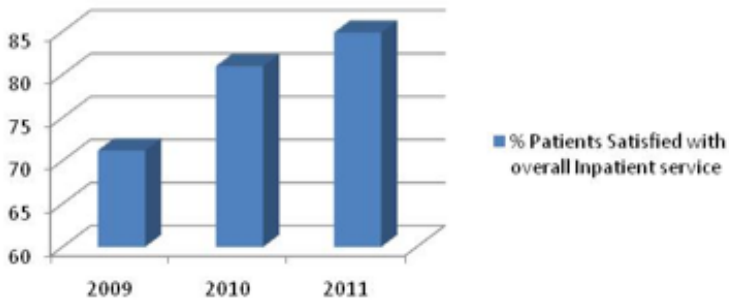
Percentage of patients satisfied with overall Emergency service at KEMH



Patient Satisfaction* Area **Satisfaction is defined as a score of 7 or more out of 10*	**2009**	**2010**	**2011**
Overall Emergency Service at KEMH	**66.4**	**75.6**	**84.5**
Emergency Department Area	**69.1**	**70.9**	**75.6**
Wait Time in Emergency	**63.4**	**60.8**	**73.7**
Emergency Nurses	**74.0**	**82.3**	**84.3**
Emergency Doctors	**81.0**	**86.7**	**89.6**

Inpatient Units (Cooper, Curtis, Gordon, Perry)

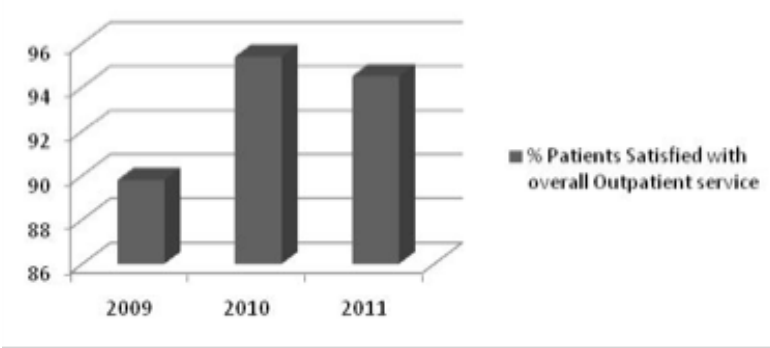
Percentage of patients satisfied with overall Inpatient service



Patient Satisfaction* Area **Satisfaction is defined as a score of 7 or more out of 10*	**2009**	**2010**	**2011**
Overall Inpatient Service	**71.2**	**81.0**	**84.9**
Inpatient Environment	**69.4**	**76.1**	**81.3**
Inpatient Meals	**61.3**	**61.2**	**66.0**
Inpatient Nurses	**72.7**	**80.7**	**81.4**
Inpatient Doctors	**84.9**	**91.1**	**93.9**
Pain Management	**71.4**	**71.5**	**70.4**

Outpatient Units (Dialysis, Oncology, Agape House, Diabetes, Cardiac Care and Asthma Education)

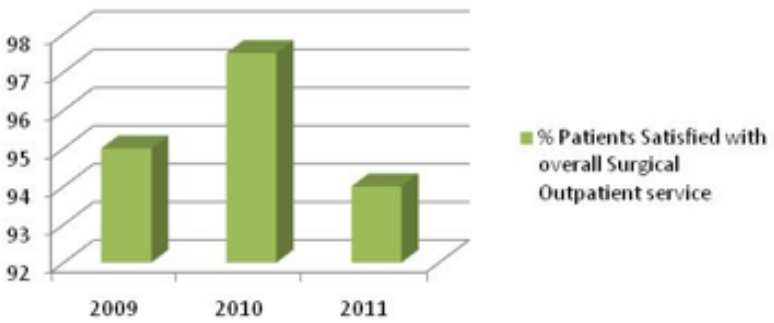
Percentage of patients satisfied with the overall Outpatient service



Patient Satisfaction* Area **Satisfaction is defined as a score of 7 or more out of 10*	**2009**	**2010**	**2011**
Overall Outpatient Service	**89.8**	**95.4**	**94.5**
Outpatient Environment	**79.2**	**84.0**	**88.4**
Outpatient Nurses	**76.0**	**89.8**	**92.0**
Outpatient Doctors	**77.7**	**91.0**	**97.6**

Outpatient Surgical Services

Percentage of patients satisfied with the overall Surgical Outpatient service



Patient Satisfaction* Area **Satisfaction is defined as a score of 7 or more out of 10*	**2009**	**2010**	**2011**
Overall Surgical Outpatient Service	**95.0**	**97.5**	**94.0**
Surgical Outpatient Environment	**81.1**	**82.1**	**82.5**
Surgical Outpatient Nurses	**86.7**	**92.9**	**91.5**
Surgical Outpatient Doctors	**90.5**	**92.5**	**95.8**

Accreditation

In May 2011, Bermuda Hospitals Board underwent a full, organisation-wide accreditation survey with Accreditation Canada that touched every aspect of the organisation, every service and every site. The result of the survey was that BHB was awarded "Accreditation with Exemplary Standing" - the highest level possible.

Accreditation measures BHB's adherence to over 2,600 patient safety and quality standards, the same standards used by hospitals in Canada. This level of accreditation puts BHB alongside the top Canadian hospitals. It is an independent measurement of quality and helps attract healthcare professionals who would be unlikely to work in an unaccredited facility.

All 1,800 staff were asked to complete online surveys regarding patient safety. Five Accreditation Canada surveyors undertook a five-day visit in May 2011 during which time they could request to visit any area, and interview any staff or patients, pull out medical records and review whether practices were documented, and check on any policy to make sure it was up to date.

	2008 Accreditation Preliminary Report	2011 Accreditation Preliminary Report
Number of Standards	1,590	2,651
Percentage of Applicable Standards Met by BHB at Preliminary Stage	92.86%	97.7%
Number of Required Organisational Practices (ROPs)	31	35
Percentage of ROPs Met by BHB at Preliminary Stage	50%	94.3%

But the focus is not on just successfully passing a survey. The survey is simply a snapshot. Accreditation Canada's goal is to make quality improvement an every-day focus. The surveyors can visit BHB at any time in between surveys, and BHB's own internal accreditation team undertakes regular mock surveys to test readiness.

The Accreditation Canada report and letters can be viewed on the BHB website at at **www.bermudahospitals.bm.**

Clinical **Quality & Safety**

Alongside the hospital-wide accreditation with Accreditation Canada, many BHB departments chose to go through additional, specialised accreditation processes with other, independent bodies that specialise in their area. The benefit is an even closer, detailed drill down by experts in specialised areas.

Pathology

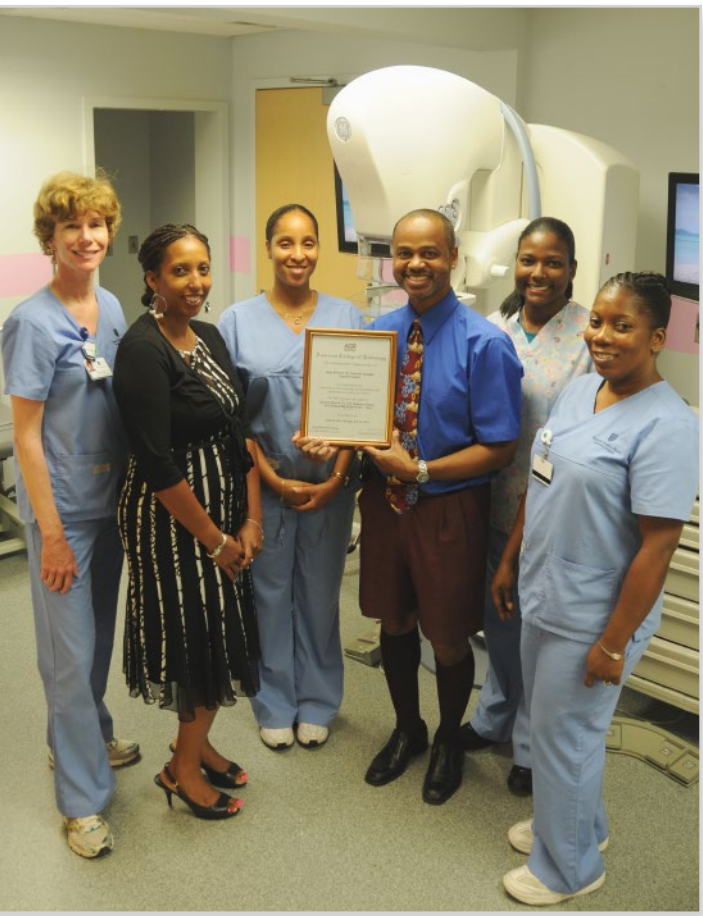
In this fiscal year, BHB's Pathology Department maintained its specialised accreditation with Joint Commission International. The Pathology Department includes blood and urine testing, histopathology and the Bermuda Blood Donor Centre.

Substance Abuse

The Substance Abuse Programme at MWI, called Turning Point, achieved a three-year international accreditation in April of 2011 from the Council for the Accreditation of Rehabilitation Facilities (known as CARF). This was the first time Turning Point had gone through this accreditation. Turning Point delivers substance abuse services and plays a vital role in the rehabilitation process for hundreds of service users and their families. It includes an eight-bed inpatient detox unit as well as outpatient services, which cater to 400 service users, and a methodone clinic which is used by 125 people.

CARF surveys agencies based on specific addiction treatment standards, including administration, clinical practice and the rights of the person served. Successful accreditation was the result of several years of hard work by a team of staff that included the Bermuda Hospitals Board's Director of Quality and Risk Management and the care team leaders. Achieving CARF accreditation means Turning Point is adhering to best international practice standards. This ensures accountability to services users, their families and the community.

Of the many areas reviewed by the surveyors, five received no recommendations for improvement: Medication Use, Detoxification, Intensive Outpatient Treatment, Outpatient Treatment, and Addictions Pharmacotherapy. This means Turning Point's practices were already above the standards in all these areas, which is very commendable.



Breast Imaging Services

In June 2011, BHB announced the successful accreditation of its digital Mammography unit at KEMH by the American College of Radiology. The Mammography team includes four qualified, registered mammography technologists and four radiologists. This specialist diagnostic accreditation runs from June 2011 to June 2014. KEMH's Mammography team has maintained accreditation with the American College of Radiology since 1998, although this is the first time the service has been accredited since the implementation of its new GE Healthcare Senograph Digital Mammography System.

The survey reviewed technology, techniques, and how staff position and image patients. They also ensured the lowest possible levels of radiation are used and that there was a very low number of re-takes, further reducing radiation exposure and the distress patients would experience having to re-do a mammogram.

Just a few months later, BHB's Diagnostic Imaging department announced that the American College of Radiology (ACR) had designated it as Bermuda's first Breast Center of Excellence. This designation was achieved in July 2012 and covered the full breast diagnostic suite modalities of mammography, ultrasound, nuclear imaging, CT and MRI.

Med Admin Check Update

BHB's new medication system was introduced in 2011. The application chosen for this upgrade was the Med Admin Check. It went live in Gordon Ward in the last fiscal year and was rolled out to all other areas by July 2011. It was a major investment for BHB to improve safety processes. The new system reduces the human element in medication errors and helps prevent adverse drug events at the time of administration. It does this by positively identifying both the drug and the patient using barcode technology. When patients are admitted to a ward, they receive a bar-coded wristband as an identifier. The Med Admin Check ensures the right patient receives the right drug, in the right dose, by the right route, at the right time, followed by the right documentation. This improves workflow and communication between pharmacy and nursing staff and provides an online, prospective Medication Administration Record. The Med Admin Check also generates a complete order history at the point of care and tracks potential medication errors.

Workflows were designed to guide workers on how a task should be performed. A significant training schedule was required to make sure nurses were prepared for and received ongoing support when using the system. The system was introduced to Bermuda Hospitals Board to assist with safe, quality care and allows nurses to focus more on direct patient care, which technology cannot replace.

Nursing

Nurses make up over 40% of the workforce at BHB and they deliver the vast majority of frontline care in the hospitals. They are vital in the drive to improve standards.

In this fiscal year, BHB employed over 530 registered nurses, with 332 of them from 27 other countries. 468 of those nurses work at the bedside in a staff role, while 63 are part of the management team, inclusive of Clinical Directors, Clinical Managers, Clinical Supervisors and Assistant Unit Managers. The balance of Bermudian nurses tend to be older than average, with only 61 of them under 50 years of age.

Nurse of the Year

The Nurse of the Year is chosen by the Bermuda Nurses Association, and in this year under review, the winner was BHB's Beverly Brangman, who has worked in the profession for 17 years. Six other Bermuda Hospitals Board nurses were also nominated: Margaret Seymour, the Clinical Manager for PACU; Hugh Murray, Lorna Fox and Loumeeka Orgill, who are all nurses on the Dialysis Unit; Claire McCullagh who works in the Quality and Risk Management Department; and Ellena Scooklal-Carnarvon, who works in Coral Sands for MWI.

Clinical Nurse Educators Help Standardize Care

An important component of BHB's Professional Practice Model for Nursing is professional development. BHB established a team of seven Clinical Nurse Educators to train, educate and provide ongoing development for nursing staff in this fiscal year. The team oversaw educational and developmental programmes designed to ensure standardization of care processes and the introduction of new equipment and technology. They also provided training and development for new nurses beginning their nursing careers.

The Clinical Nurse Educator Team also reviewed clinical procedures and supervised nurses performing practical competencies. Among their many tasks included oversight of orientation, mentoring, Service Excellence training, clinical competency development and assessment, core and advanced training courses, and the Nurse Residency and Summer Student Nursing Programme. The Competency Assessment Programme was just one of many projects completed by the Clinical Nurse Educator Team and was recognised as a 'leading practice' during accreditation.

Nurse Practitioners

The changing role of nurses is also resulting in new nurse categories, such as nurse practitioners. These are nurses who train in specialized areas. They are advanced practice nurses, trained and qualified to perform advanced physical assessments, make diagnoses, order appropriate diagnostic tests and prescribe therapy.

BHB supported its first employee through this process in this fiscal year. Cardiac Nurse Educator Myrian Balitian Dill spent two months at the University of Toronto undergoing clinical rotations at two hospitals to complete a post-master's diploma in the Nurse Practitioner Programme. The 20-month-long course, available online, required 700 clinical hours to complete. After finishing her course work and clinical rotations, she sat Board exams in 2012, which qualified her to work as a nurse practitioner.

Point of Care Testing

BHB made efforts this year to improve processes and quality assurance around its point-of-care testing. This testing is for patients who are too ill to make the trip to the lab or other area in the hospital. Point-of-care testing allows the medical team to perform tests wherever the patient is receiving care and whenever a quick decision is needed in order to provide treatment. It can be done at the bedside, where it is more convenient for the patient, and it improves the likelihood that test results will be available more quickly so clinical management decisions can be made as soon as possible.

Physician Update

In order to improve access to specialist care on-island and improve care at the hospitals, BHB made a number of physician appointments in the year under review.

Oncology

One of the biggest challenges leading up to this fiscal year had been providing the stability and consistency of a permanent, on-island oncologist. The global shortage of specialists in this area had made it especially challenging.

In the fiscal year 2010-11, Dr Tutu Aung-Hillman was employed in a part-time capacity. In 2011-12 BHB appointed a full time oncologist, Dr Paul Coty, and one other part-time oncologist, Dr Jean Walters.

Neurology

Dr Keith Chiappa is a returning Bermudian neurologist who also took on the role of Chief of Medicine. Given the number of strokes and vehicle accidents resulting in head trauma on the island, this specialty is highly in demand.

Dr Keith Chiappa

Pain Management

BHB supported anaesthetist Dr Annie Pinto through a specialist pain management fellowship at Massachusetts General Hospital. Dr Pinto returned in this fiscal year and set up a new pain clinic with Dr Schwartz. Her remit is to provide consultative pain medicine services to patients in Bermuda who suffer with back pain, headaches, pelvic and abdominal chronic pain intractable ischemic pain, cancer pain and chronic pain syndromes. She also provides comprehensive care including medical and interventional management.

Dr Annie Pinto

Epidemiology

BHB strengthened its Infection Prevention and Control team at the hospital this year with the appointment of a returning Bermudian specialist physician, Dr Michael S Ashton. Dr Ashton was appointed as Infectious Diseases Specialist and Hospital Epidemiologist , specialising in the care and prevention of hospital-associated infections such as MRSA, VRE and C. difficile. Other focus areas include the management of sepsis, pneumonia, complicated urinary tract infections, diarrhea, skin, bone and joint infections, HIV, hepatitis and sexually transmitted diseases.

Dr. Michael S. Ashton

Patient Experience
Clinical and Service Improvements

Bed Flow and Utilisation

Many of us will have experienced, either directly or through the experience of family or friends, the delay that can take place while waiting in the Emergency Department for a bed on an inpatient unit.

Not only is it frustrating for patients and their waiting families, but it can cause challenges, such as an over-flowing Emergency Department. BHB felt it could improve this time, and the Board set a target of getting the majority of patients a bed in a ward within six hours from the time of the written medical decision in Emergency to admit. A Bed Flow Manager was appointed in this fiscal year to focus on achieving this goal. A subcommittee has also been set up to focus on the Board-set target, identify bottlenecks and improve processes. For the month of January 2012, 88% of patients were transferred to the inpatient wards within six hours after the decision to admit.

Emergency Focuses on **Patient Satisfaction**

The Emergency Department saw a dramatic increase in satisfaction in this fiscal year after responding to patient comments and satisfaction ratings. For example, wait times had consistently been identified by patients as an issue. In 2009, satisfaction with wait time was at 63.4% and in 2010 it dropped lower to 60.8% - but experienced a jump of over 10% to 73.7% following the introduction of Fast Track.

Fast Track was staffed by a designated physician and nurse with clearly defined inclusion and exclusion criteria, and operated between noon and 8:00pm weekdays and from noon to midnight on weekends and holidays.

Patients who were less sick were directed into this line, which was a separate queue from people who were much more ill and who often take a long time for Emergency staff to treat. By directing less sick patients to a faster line, the result was was that all patients experienced a reduction in wait time.

Emergency staff members also kept patients informed about real or potential delays in their care.

In addition, staff members rechecked patients more frequently. Guidelines for rechecking patients have been incorporated into the Emergency Department Service Standards.

An initiative implementing a number of "standing order" policies was also adopted. This empowered nursing staff to initiate treatment sooner, even right at the triage desk, in order to minimise delays in patient care for common complaints such as asthma or minor orthopaedic injuries.

Such actions led the Emergency Department to dramatically improve its satisfaction scores.

Satisfaction with nursing staff rose from 74% in 2009 to 84.3% in 2011, and satisfaction with doctors rose from 81% in 2009 to 89.6% in 2011.

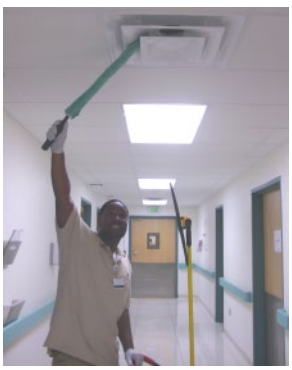
Improving **Hospital Food and Feeding Practices**

The second phase of the new Burlodge food delivery system was rolled out to the wards in this fiscal year, and patient satisfaction surveys confirmed the temperature of food delivered to rooms has improved.

Although the key investment was in a food delivery system that could ensure food was taken to the wards at the right temperature, if it was left waiting at a door or for a patient whose table was cluttered, then the benefit was lost. Dietary and nursing employees therefore met to discuss the problems and to figure out the best way forward. Solutions included having a protected meal time, so nursing staff knew food was coming and patients were prepared accordingly. Porters agreed to start work 15 minutes earlier to accommodate the new delivery schedule, and staggered delivery times were implemented for the delivery of the meals for each ward. Finally, the Dietary team responsible for the delivery of meals, which has the most contact with patients, families and nurses, went through service excellence training.

In November 2011, the patient satisfaction survey for the Meal Index earned an 80% score for meal temperature and quality. This was a considerable improvement over previous scores, which were around 64%.

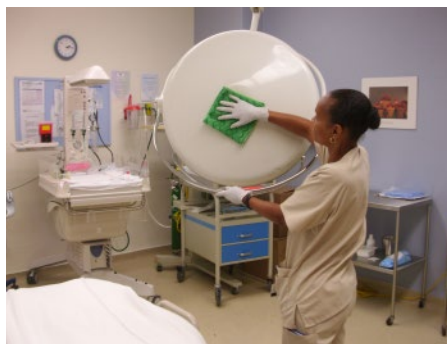
To further improve food quality, a Dietary supervisor was reassigned to conduct daily audits of patient satisfaction, above and beyond the regular monthly telephone survey, and to monitor one minute variances from the scheduled delivery times on the wards. Other improvements included closer working with the clinical teams to ensure patients were assessed for dietary requirements and that physician orders were communicated in a timely manner.



New Cleaning System **Improves Patient Care**

This fiscal year, after several years of research and networking with other institutions, Environmental Services invested in a new mopping system that used disposable, microfibre pads for improved cleaning, sanitizing and disinfecting. Microfibre mop heads are changed after use in each patient room and hospital area to reduce the risk of cross-contamination. Studies have shown that microfibre mops reduce infection, decrease chemical and water usage, increase productivity, reduce staff injuries and clean more effectively than conventional string mops. Once a room is cleaned, the mop is removed and discarded, never re-entering the container where clean mops are held. This system leaves less water residue on the floor, reducing slip and fall injuries. Also, because it is light weight, there is less strain on staff.

The investment by BHB in this cleaning system included not only the materials and equipment needed, but renovation work for storage and specialized training for staff.



Floor Restoration Project

Over the past few years, Environmental Services staff have been investigating more efficient methods and user-friendly chemicals for floor care at KEMH. The goal has been to reduce the use of stripping and re-waxing and improve the appearance. A non-chemical process was started in 2009 that grinds and polishes the hospital's terrazzo floors. In 2011-12, Perry, Cooper, Gordon and Curtis Wards, the staff cafeteria and corridors were completed.

Healthcare & Wellness Improvements

New Breastfeeding Guidelines

BHB partnered with the Department of Health and La Leche League in 2011 to produce the first-ever resource document on breastfeeding for healthcare professionals. Established to provide consistent and accurate information to physicians, nurses and others working with new mothers, the Bermuda Breastfeeding Guidelines were launched in August as part of World Breastfeeding Awareness Month.

These guidelines provide a significant first step to ensure all healthcare professionals, from nurse midwives at the hospital to Government Community nurses, physicians and staff at local clinics, are speaking consistently from evidence-based recommendations. In the same month, Maternity also opened a new breastfeeding room following the completion of some minor renovations.

This small investment in space aims to support breastfeeding mothers working at BHB, giving them comfort, privacy and dignity when expressing milk and hopefully encouraging them to keep breastfeeding even after they have returned to their jobs.

Cardiology

Heart disease is the number one killer of people in Bermuda. Two cardiology specialists joined Bermuda Hospitals Board in 2011. Their impact has been dramatic. They have implemented new tests, such as nuclear stress tests, which people previously had to travel overseas to receive. Nuclear stress tests are used for people who might not be able to have the standard stress test on the treadmill.

The new cardiologists are also raising the standard of cardiac care within the hospital, working with care teams to establish care paths and standards for treating inpatients with heart disease, and following up with cardiac outpatients..

New Course Takes Aim at a Silent Killer

The Chronic Disease Management Centre at MWI, which comprises the Diabetes, Asthma and Cardiac Care Education services, launched a new course for patients with hypertension, existing diabetes or heart disease and those at risk of developing high blood pressure. Pressure Point, a four-week course designed by Cardiac Nurse Specialist Myrian Balitian-Dill, Diabetes Nurse Educator Debbie Jones and members of their team, covered good nutrition, medications and the impact of exercise and stress on blood pressure.

High blood pressure is seen as a "silent killer" because many people don't know they have it until they begin to have symptoms. It remains one of the leading causes of devastating strokes.

On the Pressure Point course, attendees learnt the role genes and lifestyle play in managing blood pressure. The course also covered the correct method for monitoring blood pressure at home. Pressure Point provided patients with an understanding of their blood pressure numbers, how to control their condition and how to reduce their risk of a critical incident.

Pathology

Cutting-edge Cervical Screening Introduced

The Pathology Department introduced the ThinPrep Imaging System for cervical cancer screening this fiscal year. KEMH was the only facility in Bermuda using this Pap test system, considered the most advanced screening process available. This technology has contributed to a 28% decrease in cervical cancers in the United States. Cervical cancer is almost 100% curable if detected early, and the hospital's new process combined revolutionary imaging technology with human interpretive expertise to improve cervical cancer screening efficiency and performance. Turnaround times were about 48 hours.

The technology increases sensitivity and specificity over previous manual screening methods, and each Pap test is analyzed and screened by a skilled cytotechnologist who is able to better focus on pre-cancerous cells. This new method improves disease detection and enables early treatment interventions to prevent cancer.

New Automated Laboratory

The Pathology Department upgraded some of its equipment and processes to achieve more accurate and timely results, with improved turnaround times in the fiscal year under review. The new "automated laboratory" is also addressing staffing issues and will provide financial and performance improvements.

Part of the new automated process included the acquisition of instruments used for chemistry testing, which are mirror images of each other. They can perform chemistry tests such as glucose and immunoassay tests and thyroid function tests from one sample simultaneously.

In addition, an automated tracking system consisting of five modules operates independently of the chemistry analyzers. The new equipment performed tasks previously undertaken by laboratory technologists, technicians and assistants. These new processes meant laboratory staff performed fewer menial tasks and spent more time analyzing results and reviewing quality. Additionally, physicians are receiving patient results more quickly and consistently.

Diagnostic Imaging

The new CT scanner which was officially launched in February 2012 was funded by a generous donation by the Hospitals Auxiliary of Bermuda. This equipment cost $1.17 million and moved to the new facility when it opened in 2014.

The new GE Discovery CT scanner provided faster scan times, up to 50% radiation dose reduction, and gave physicians the ability to see more anatomical detail in only a fraction of the time. The CT equipment scans up to 128 slices and will improve access to accommodate patients from the Emergency Department and the wards. It also offered virtual colonoscopy, a procedure that displays images of the large intestine on a screen, permitting physicians to assess and diagnose digestive conditions when traditional colonoscopy is not advisable for the patient.

Another feature of the equipment is its ability to perform coronary computed tomography angiogram (CTA) to obtain high-resolution, three-dimensional pictures of the moving heart and great vessels. CTA is used as a non-invasive method for detecting blockages in the coronary arteries.

A CTA can be performed much faster (in less than one minute) than a cardiac catheterization, with potentially less risk and discomfort as well as decreased recovery time.

Because KEMH is the only 24/7 service provider on the island, it continued to operate the older 8-slice CT scanner. This provided a level of redundancy, in the event one machine was down for repairs. As this equipment is required for people coming into Emergency with strokes and head injuries, and test results inform decisions regarding treatment and whether a patient should be sent overseas, ensuring there is always access to this diagnostic test is a major improvement to the overall services.

The installation of the CT scanner required extensive renovations in the Diagnostic Imaging area. Construction started on 15 September 2011 and lasted 70 days, costing $767,688. A medical physicist tested the space and scanner and provided final certification prior to handover to BHB Facilities Management and Diagnostic Imaging departments, and a training schedule for the diagnostic technicians was undertaken before the equipment went live.

Continuing Care Unit

Three Continuing Care Unit staff completed the course offered by the National Office for Seniors in this fiscal year, which focused on meeting the needs of patients with all levels of ability, including those who are not high functioning.

The activities schedule for Continuing Care Unit also continued to be busy. This year, two of CCU's younger disabled residents started a vegetable garden and a number of events, including a soca concert and hat parade, took place for older residents.

BHB also worked with Massachusetts General to undertake a review of the service. The report was received in this fiscal year, and work began on an action plan based on the recommendations in the review. The goal is to ensure international standards of senior care are in place, based on the NICHE guidelines. NICHE stands for Nurses Improving Care for Healthsystem Elders.

A programme of the Hartford Institute for Geriatric Nursing at New York University College of Nursing, the goal of NICHE is to achieve systematic nursing change that will benefit hospitalised older patients. The vision of NICHE is for all patients 65 and over to be given sensitive and exemplary care. The mission of NICHE is to provide principles and tools to stimulate a change in the culture at healthcare facilities to achieve patient-centred care for older adults. NICHE does not prescribe how institutions should modify geriatric care. Rather, it provides the materials and services necessary to stimulate and support the planning and implementation process. The focus of NICHE is on programmes and protocols that are dominantly under the control of nursing practice. In other words, areas where nursing interventions have a substantive and positive impact on patient care.

Blood Donors

This year, Riddles Bay Golf Club approached BHB to undertake a promotion to encourage golfers to donate blood. The promotion was well received and increased the number of donors. There are only just over 1,100 donors in Bermuda. The World Health Organization reports that the average donation rate in developed countries is 45 per 1,000 population. In Bermuda it is only about 17 per 1,000 population. While many countries such as the UK have about 6% of the population donate, less than 2% of Bermuda's population does. This puts pressure on the small number of existing donors, to whom our entire community should be extremely grateful. None of our blood is imported – we depend on the donors in Bermuda to maintain our stocks.

The World Health Organization also reports an estimated 38% of blood donations are collected from donors under the age of 25 in most countries. In Bermuda only 4% of our donors are under 25. An ageing donor group puts long-term sustainability of the donor pool at risk. Again, more donors are needed.

Only one unit of blood is collected at each donation, and Bermuda uses about 2,400 units of blood annually and needs about 40 to 50 units a week.

Mental Health

In 2010, the new Mental Health Plan was launched based on the principals of the recovery model. This model seeks to involve service users in their care and treatment, and find ways to better support them in the community.

Assertive Outreach Teams

In this fiscal year, assertive outreach services were set up for three service user groups: one for people with psychiatric illnesses only, one for people with forensic and mental health issues, and one in Child & Adolescent Services. These teams work solely in the community. Assertive Outreach Teams provide a support service for people who are working to recover from mental health issues in their homes. This support helps avoid service users from entering an acute episode that requires hospitalisation.

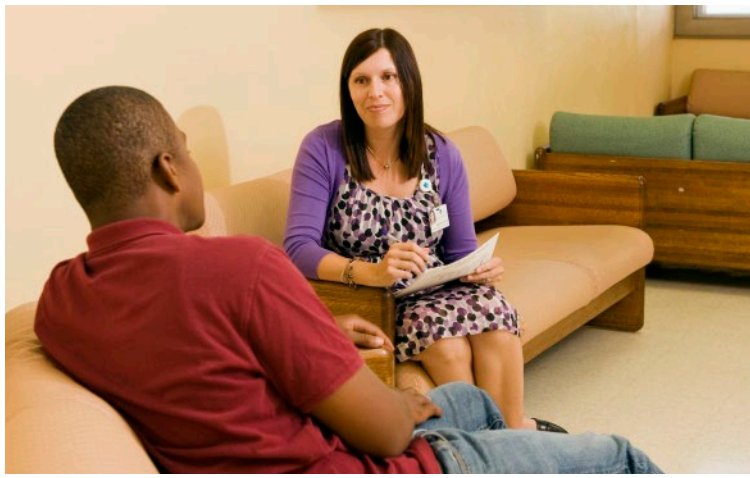
The establishment of the acute and forensic teams was made possible without any additional recruitment costs due to a restructuring that saw a merging of the on-site medication dispensing clinics for acute and forensic service users. Additionally, Government provided the Mid-Atlantic Wellness Institute with $120,000 to purchase additional vehicles for the community outreach teams so they can move freely within the community to visit their clients.

For the Child & Adolescent Services population, the team went through Assertive Outreach training in the last fiscal year (2010/11), and community work began through two high schools: CedarBridge and Berkeley. The team visited schools to meet with students and do assessments. In this way they supported school counsellors and students, without students having the stigma of being sent to the MWI campus.

Standard Care Team

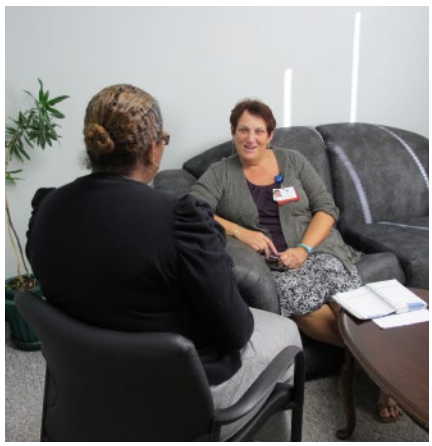
In line with the Mental Health Plan, a Standard Care Team was established to manage routine follow ups. The team assists in the transition after a service user has been in hospital following an acute mental health episode.

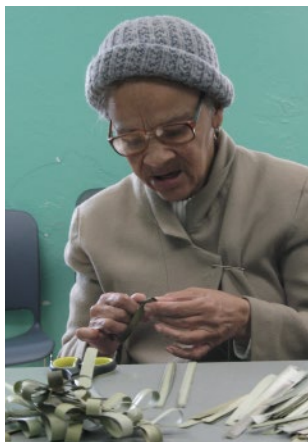
This is someone who is discharged, goes back to work and needs some follow up for a limited time while he or she is transitioning from the Mid-Atlantic Wellness Institute service back to their family physician.



Residential Team

A Residential Team was established in this fiscsal year to focus on serving the group homes. The team included social and support workers as well as a nurse, who assists service users with daily responsibilities, such as paying bills and getting out to work.





Seniors' Mental Health Services

Another deliverable of the plan was to improve services for seniors with mental health challenges. The geriatric lead at MWI, Dr Anna Nielson, worked closely with the Chief of Geriatric Services and Palliative Care, Dr David Harries to ensure skill sets from MWI were transferred to, for example, the Continuing Care Unit at KEMH.

Art Therapy

Additional achievements during the fiscal year included yet another successful MindFrame PhotoVoice Exhibition at the Bermuda Society of Arts. This exhibit gives service users a platform in the community to creatively express something about their abilities and their experiences.

This was the fifth exhibition and has become one of the highest profile mental health projects. It was received positively by the community.

Promoting Mental Wellbeing

Mental Health Awareness Week 2011 was also a busy time for staff, promoting the five steps to mental health and wellbeing in an effort to help the community improve mental wellness and establish skills to prevent mental health issues such as depression. As part of the week, an international expert in training mental health staff in the delivery of a mental health first aid course was invited to Bermuda. MWI staff were trained so that the first aid course could be provided on an ongoing basis in Bermuda. Mental health first aid courses train people who might be family members of service users or workers in professions that deal with the public, to recognise the signs of an acute mental health episode.

By training people appropriately, they can better assist the person in need and assist them in getting help early, which impacts a service user's overall recovery.

New Blood Analyser to Ensure Correct Dosage

A new blood analyzer was purchased in the fiscal year under review to assist staff in better monitoring patients' medication, for example for the correct levels of medications, especially those with a tranquilizing effect.

Essentially, the equipment checks to ensure the correct level of drugs is being taken and avoids over or under medicating.

Learning Disability

The last Learning Disability service users were transferred out of MWI in this fiscal year. All 74 residential Learning Disability clients were then in one of 15 group homes around the island. This move from institutionalized to residential care improved their quality of life as they can live in a home environment. Internationally, this is seen as the gold standard of care, and Learning Disability was recognised by Accreditation Canada for their strategy of transitioning to group homes. These are not people who should be housed away in a psychiatric hospital environment, but cared for, supported and given a quality of life in a home.

Providing care in group homes requires a dedicated, accountable workforce. Over the last few years MWI has been requiring its Learning Disability community support workers to complete the City & Guilds Working with People with Learning Disabilities certificate.

This year, a further 16 community support workers successfully went through the programme. City & Guilds is the UK's leading vocational qualification awarding body, offering more than 500 qualifications in over 28 industry

sectors, through 8,500 approved centres in around 100 countries. Following an on-site review by City & Guilds representatives in 2005, MWI was approved to become a City & Guilds Assessment Centre for working with people who have disabilities. This status was reconfirmed up to 2014, following the regular required evaluation by a City & Guilds external verifier. In this fiscal year, MWI had over 84 community support workers in this area, and over half had gained the certificate.

There is still a Learning Disability area on-site that offers a number of day services for 15 severely learning disabled service users. This service moved into newly-renovated space this year, an area called New View Hall.

Substance Abuse – **Turning Point**

Along with gaining CARF accreditation for the first time, the Turning Point substance abuse team at MWI had their Multi-Family Group recognised as a leading practice by Accreditation Canada, as part of hospital-wide accreditation. Research confirms that the success of substance abuse treatment programmes increases immensely if significant others and family members become educated about the disease of addiction. As a result, Turning Point re-formed The Multi-Family Group in 2010.

The team took the opportunity to improve the Group using a slightly more structured outpatient treatment approach that focuses on family and group therapies, drug education, self-help participation and drug abuse monitoring. Guided by the values, standards and requirements of both accrediting bodies – CARF and Accreditation Canada – the team uses this group to educate family members about addiction and how it affects them as well as their loved ones. Family members often do not understand the dynamics of recovery and

the changes it brings. The Multi-Family Group provides a safe environment to present information, and an opportunity for service users and their families to discuss concerns and facilitate behavioural changes that are common to all families coping with addiction.

Topics include different types of drugs and their effects, triggers and cravings, coping with the possibility of a relapse, self care, myths about addiction and rebuilding trust. Guest speakers and members of outside groups, such as ALANON, have been invited to attend some of the group meetings. The Group has met with great success and has received positive feedback from service users and their relatives. Since November 2010 up to the end of this fiscal year, over 50 people attended the 16-week course for at least one session, and recently three participants received certificates of completion for attending the entire 16-week series. Some graduates continue to attend the group.

New Acute Care Facility **Update**

BHB entered into a contract with Paget Health Services (PHS) in December 2010 to design, build, finance and maintain the new Acute Care Wing for 30 years.

During the fiscal year under review, the schematic design of the hospital evolved and was developed through to a detailed design. First-stage mock ups of a trauma area, patient bedroom, nurses' station and other ancillary areas, including an ambulance bay, were completed to enable staff to test the design before it was finalised.

Construction progressed steadily throughout the fiscal year. All excavations were completed and construction of the building's structural frame, floors and walls commenced. An Independent Certifier visited the construction site on a weekly basis and liaised with Paget Health Services and BHB over quality assurance, completion tests, certification and documentation to facilitate population of the requirements compliance matrix for certain early and current construction activities, primarily substructure and external underground services works.

By March 2012, over 40,000 cubic yards of material had been excavated from the site and over 7,000 cubic yards of concrete had been poured for foundations. The project broke the record for the largest ever single concrete pour in Bermuda on Saturday 19 November 2011: 540 cubic yards. Paget Health Services also commenced trenching works and laying pipework which would ultimately provide water for the hospital's air conditioning system.

The project had a positive impact on the local market. Orders placed for construction by the end of the fiscal year were approximately $125 million. Ninety percent of this was with local businesses, with about $35 million spent in the local economy by March 2012. Over 60% of the workforce comprised Bermudians and spouses of Bermudians.

About the PPP

The chosen model to deliver the additional space was through Bermuda's first ever Public Private Partnership (PPP), a type known as Design, Build, Finance, Maintain (DBFM).

The main benefit of this model is greater cost certainty. PHS took on the construction risks, such as cost over-runs and delays, and penalties would be applied if the building is not completed on time or did not meet pre-agreed specifications. The 30-year maintenance contract gave Paget Health Services an incentive to construct a quality building, as penalties will be applied (which means a reduction in the annual payment) if there are unanticipated issues relating to the structure or hard maintenance, such as the HVAC system.

BHB retains ownership of the land and facility at all times.

Costs

An affordability cap was set in place early in the project and was based on an estimate in the 2008 Johns Hopkins Medicine International Review of $260 million in design and construction costs for the new facility. The competitive procurement process led to construction costs $13 million under the original estimate.

Payments for the new wing only started once it had reached substantial completion. This means no payments were made in this fiscal year. Payments not only contribute to the financing of the design and construction but include maintenance of the facility for the duration of the contract (see previous section).

Annual payments

Seventy per cent of each annual payment is locked and will not vary over the 30 years of the contract, making

payments easier to afford over time. Thirty per cent of the payments will fluctuate - mostly in line with inflation – although fluctuations could also be related to any applied penalties, should they be required. The amount paid to Paget Health Services will be made public through BHB's annual financial statements.

Meeting the Construction Challenges

Paget Health Services worked closely with BHB to minimise the impact of the construction project on existing hospital operations and neighbouring properties, whether this was noise, dust, vibration, vehicular and pedestrian access, or health and safety.

BHB's Infection Prevention and Control team undertook infection control risk assessments with Paget Health Services, issued permits and monitored compliance against the mitigation measures required by the permit.

BCM McAlpine's health and safety record was very good, and the infection prevention measures that BCM McAlpine put in place supported BHB's clinical operations and were monitored weekly by the Board's Infection Prevention and Control nurses. For example, Paget Health Services fitted industrial-sized HEPA filters in front of the air intakes for the operating rooms. These were monitored daily and filters changed when necessary. Air quality tests were also carried out in the Surgery department on a monthly basis.

Other initiatives which Paget Health Services undertook to help minimise the impact of construction included:

- Wheel washing of all vehicles prior to them leaving the construction site;
- Construction of a pedestrian footpath from the Springfield parking lot to the Continuing Care Unit pedestrian entrance for the safety of staff, visitors and people in the area;
- The establishment of a comprehensive induction and health and safety programme. By the end of March 2012, 480 people had received the site induction training. This training covered key health and safety principles and practices, and BHB's infection prevention measures; and
- Paget Health Services also worked with the BHB project team to keep staff and neighbours informed of certain activities on site – for example, temporary lane closures, abnormal working hours, etc.

KEMH **Site Renovations**

The Ward Renovation Project

The ward renovations project was a multi-year project to improve the environment in the hospital's four inpatient units – Cooper, Curtis, Gordon and Perry Wards. Work included painting, plumbing, electrical work and the installation of new energy-efficient windows. Fifty-nine of these windows were installed in the current fiscal year, taking the total for the entire project to 156. In the wake of this project, patient satisfaction with the inpatient environment rose from 69.4% in 2009 to 81.3% in 2011.

In the fiscal year under review, the actual spend on the ward renovation was $808,572.

While the inpatient units decanted to the new facility in 2014, these areas in the existing facility are still being used for clinical services, so this revitalization project will benefit patients for many years.

Health Information Management Services (HIMS)

A project was completed in this fiscal year to renovate an existing area of KEMH for the use of Health Information Management Services, or HIMS. HIMS is the place you go if you need to access your medical record. The existing area was too small and posed an increasing health risk for staff due to the large number of old paper documents that were stored there. Plans took into consideration that over the coming years, the hospital expects to transition to an electronic medical record which will have its own storage requirements. The project cost $443,406.

Controlling Costs **for Bermuda**

In the fiscal year under review, BHB tendered existing relationships, such as the hospitals' print vendor and the housekeeping contract at MWI, in order to gain better value for money and greater efficiencies.

BHB also entered into memoranda of understanding with local Insurers, and Government directed BHB to write off Government debt of $17m which helped reduce the burden of costs on the country for the year.

MWI is supported by a Government grant and this was reduced by $1 million for the fiscal year. Nine positions were frozen at MWI and contracts that expired for guest workers were not renewed. Scheduling revisions, reductions in overtime and moving to minimum staffing on public holidays helped contain costs, along with a very close monitoring of expenses. These cost savings enabled some progress to be made in executing the Mental Health Plan published in June 2010.

Maintenance

Both KEMH and MWI are aging facilities that require constant effort to maintain, and a scheduled programme to revitalise. Thirty-nine employees work in the Facilities Management Department and provide 24-hour service, 365 days a year to KEMH, MWI and the Lamb Foggo Urgent Care Centre.

In the year under review, the department completed 90 projects with 36 still in progress by the end of the fiscal year. Projects included the Health Information Management Services renovation, as well as: work required for the new food delivery system, the new CT Scanner, cardiologists' offices, new pain clinic and chemical storage shed.

Other numerous minor works included:

- Emergency
- Mammography
- Continuing Care Unit
- Maternity
- MWI's Vocational Rehab
- MWI's Substance Abuse areas
- MWI's new chemical storage facility

Information Technology

A total assessment of the technical environment was completed in this fiscal year. There are over 100 systems in the organisation due to the size and complexity of healthcare technology.

In order to better support specialized areas, a Clinical Informatics System was implemented. This has resulted, for example, in a full-time technical resource being assigned to Diagnostic Imaging due to the demands of the Picture Archive Communication System (PACS). This system manages all of the diagnostic images in the department, which is now completely digital. With the introduction of the new CT scanner, the demands on PACS increased. A one-slice scanner takes one picture per rotation. KEMH's eight-slice scanner takes eight pictures per rotation. The new CT scanner, can take up to 128 high-quality pictures per rotation. This is a huge increase. The demands on hospital servers are immense and one of the challenges in the coming year will be managing data storage capacity for the organisation.

Ground work for the Electronic Medical Record has started. This is part of the operational readiness plan for the new facility. It also dovetails nicely with the strategic goal of the National Health Plan to implement an Electronic Health Record that will cover an individual's medical information across the healthcare continuum, not just the hospital.

Human Resources

BHB is the second largest employer in Bermuda. It runs an operation that has to keep its doors open 24 hours a day, seven days a week. Over 200 professions are needed and that translates to about 1,800 staff.
BHB is highly supportive of developing its existing people and giving them opportunities to move internally in an effort to retain high-quality, performing individuals.

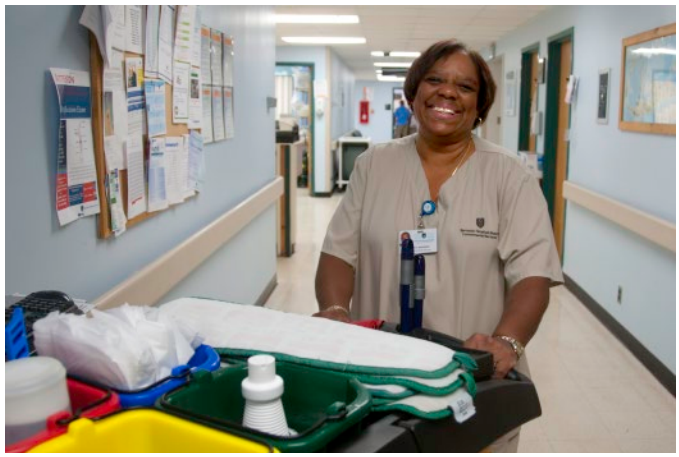
A regular staff development fair is held, and this year almost 300 employees attended to learn about training and career options within BHB. Community partners were also invited to participate.

Eleven BHB departments were represented along with five community partners, including the Bermuda College and the National Training Board.

On the educational side, a study buddy programme has been established so staff undertaking professional training can link up with others for support, advice and understanding.






BHB staff in action at work and in the community.

Coding & Transcription Training

The Organisational Development Department, in partnership with Kaplan University, established the first BHB Medical Transcription and Coding Programme in the fiscal year under review. Launched in September, this initiative provided full scholarships to 15 staff members who were selected after a rigorous application process.

The successful candidates enrolled in online courses, which they completed on their own time.The course took approximately 65 weeks to complete. Staff members completing the course earned approximately 40 hours of credits towards an associate degree in their field of study and were provided with a related achievement certificate from BHB. Kaplan University administered the programme and facilitated the cohort learning, while BHB monitored each student's advancement and provided them with support.

Staff underwent weekly progress testing, and monthly monitoring. Employees had to maintain an average C grade and agree to work at BHB for two years after they completed the programme.

Providing the Opportunity to **Complete Educational Achievements**

BHB's Workforce Planning & Development is responsible for recognising and utilising staff potential and meeting the needs of employees seeking further training and education. Early in the fiscal year under review, several staff members approached this department and expressed an interest in upgrading their reading, writing and math skills, as well as obtaining a GED. Bermuda Hospitals Board's Human Resources 2011 Strategic Plan set out target goals that included providing staff with basic and advanced computer skills, as well as strengthening training and development for auxiliary workers. Creating an internal GED programme for staff was seen as a logical step to fulfilling our targets and responding to the needs of employees.

After contacting community educators to discuss options for implementing a hospital education programme on site, Workforce Planning & Development chose to partner with the Adult Education School. Together they introduced a GED programme last April. Forty-five staff members enrolled in math, reading, writing, science and social studies classes. In addition to the in-house GED programme, Bermuda Hospitals Board has partnered with CARE Learning Centre for those staff members interested in pursuing their GED off site.

Scholarships 2011-12

BHB awarded scholarships totalling $90,000, paid over time periods ranging from one to three years, to five students pursuing degrees in healthcare during this fiscal year. In addition, GlaxoSmithKline awarded one student a $30,000 scholarship, which is administered by Bermuda Hospitals Board.

Three scholarship winners were pursuing nursing degrees, one was studying radiology and one was earning a degree in social work. The student funded by GlaxoSmithKline was pursuing a master's degree in pharmacy.

The scholarship winners demonstrated a strong commitment to service in the community and the hospitals, as well as maintaining a solid academic performance.

The scholarships programme attracts Bermudians into healthcare, which is critical to the long-term wellbeing of the hospitals and their ability to deliver sustained excellent-quality care in the years to come. The scholarship winners for 2011 were: Nikki Clarke and Kiara Baxter, who were studying nursing at De Mont Fort University, United Kingdom; Crystal Smith, who was studying nursing at the University of the West Indies, Jamaica; Jimaye Johnson, studying radiology at Keiser University, Florida, USA; Lakeisha Wolffe, who was studying to become a social worker at Laurentian University, Ontario, Canada; and pharmacy student Tiffany Smith was the GlaxoSmithKline recipient, studying at the University of Hertfordshire, United Kingdom.

Training & Development

In the fiscal year under review, BHB established a leadership curriculum to teach the skills required to build a high-performing and caring organisation. Each level of management had a set curriculum to go through, including the Senior Management Team. Talent management was identified as a core competency for leaders, to identify and develop Bermudian talent and prepare those individuals for future promotion.

The Senior Management Team was 76% Bermudian in 2011/12.

At the other end of the spectrum, BHB focused on increasing entry level roles and opportunities to attract talent and support community programmes. BHB assisted 17 students with internship placements in the fiscal year under review. They were placed in areas such as Rehabilitation Services, Diagnostic Imaging, Information Technology Services and Human Resources.

BHB also remained an active participant in the TLC programme which provides internships in IT, and has supported a Government programme that helps people coming out of prison who are looking to turn their lives around. Three placements have been made in appropriate roles in the hospitals.

Donors & Donations

Hospitals Auxiliary of Bermuda (HAB)

The Hospitals Auxiliary of Bermuda, or HAB, provided the largest donation in the current fiscal year, paying for the new CT scanner. In addition, the HAB allocated funds of almost $200,000 for the purchase of a radiant warmer, ventilator, four dialysis systems and an electro-coagulation machine. The HAB raises monies through three businesses, The Barn, The Pink Café and The Gift Shop. The funds raised through these enterprises, together with membership dues and donations, are used to purchase capital equipment for the hospitals. Less visible is the volunteer work carried out each day around the hospitals by the pink ladies and gentlemen, whether it's running The Gift Shop and The Pink Cafe, or working on the wards or on the information desk. The HAB had 576 members in 2011 – 249 active members who regularly volunteer, 228 inactive members who still contribute through membership dues, and 99 candy stripers. In total they donated 37,992 hours in 2011.

Bermuda Hospitals Charitable Trust (BHCT)

The Bermuda Hospitals Charitable Trust is the official fundraising arm of the hospitals and focused in 2011-12 on the new facility project. A capital campaign was launched this fiscal year to raise $40 million to contribute towards the one-off completion payment when the new facility was completed to specification in 2014. By the end of the fiscal year under review, almost $24 million had been secured. The Bermuda Hospitals Charitable Trust also calls on a number of volunteers to help with its events and they are also supported by the HAB, who send their candy stripers to assist with volunteer work and support the capital campaign.

Individual Donations

A stroller was donated to Gosling Ward by the Kiwanis Club to help the safe transportation of young children around the hospital, and NQ500 equipment was donated by NQ Industries to the Lamb Foggo Urgent Care Centre. This equipment essentially helps filter out infectious agents from the air and sits in the waiting area of the facility, reducing the potential for one patient to infect another if they have come in with something like flu.

BHB Employee Compensation Report for 2011/12 (Unaudited)

Levels	Notes	Base Pay Range [2]	Total Compensation [3]	Total Cost [4]
BIU	This group includes Nursing Aides, and nonmanagement staff in support departments including Environmental Services, EMT's, Facilities, Dietary, and Laundry. Salaries are negotiated every two years with the BIU.	$ 41,500 to $ 83,900	$41,900 to $ 94,500	$50,700 to $103,900
BPSU	This group includes Managers, Clinical Directors, staff in support departments such as HR, IT, Finance, Materials Management, Procurement and Health Information Management Services, and health care professionals, including Medical & Surgical Residents, Psychiatrists, Registered Nurses, Allied Health Professionals[1], Pharmacists, Pathology staff, Diagnostic Imaging Technicians. Salaries are negotiated every two years with the BPSU.	$ 47,200 to $ 224,300	$ 48,800 to $ 260,300	$57,000 to $293,500
Non-Union Staff and Directors	This group comprises employees who are exempt from joining a union and non-clinical directors. Salaries for this group were set by an HR Compensation team in consultation with the Executive in 2010/11.	$ 102,000 to $ 217,800	$ 102,000 to $ 222,700	$112,800 to $253,900
Physicians	This group includes all physicians employed by BHB (except Medical Resident, Psychiatrist and Surgical Resident physicians which are included under BPSU). Physician salaries and compensation are determined by the Chief of Staff.	$ 161,500 to $ 724,100	$ 185,500 to $ 1,699,200	$212,000 to $1,788,700
Executive	This group includes Chiefs and Vice Presidents. Changes to salaries and compensation were made with the oversight of Board sub-committees or the Chairman during this period. The performance pay for this group in 2011/12 was for the period 2010/11. No performance payments have been made since.	$ 115,100 to $ 476,200	$ 124,100 to $ 650,400	$146,100 to $703,400

Notes

1. Allied Health includes: Physiotherapy, Occupational Therapy, Speech Pathology, Dietitians, and Medical and MWI Social Workers
2. Basic pay is the regular pay rate per hour multiplied by the actual hours worked by an individual.
3. Total Compensation includes base pay, performance pay and, for work permit holders, housing benefits and relocation expenses
4. Total Cost includes Total Compensation, current year's movement in leave pay provision, social insurance payments, health insurance payments, payroll tax and pension deductions.
5. In 2011/12, the CEO received base pay of $476,246, total compensation of $650,356 and the CEO's total cost to BHB is $703,356. There was performance pay (staff gratuities) and housing benefit for this position. In 2011/12, ten (10) positions received total compensation in excess of the Chief Executive Officer.

Assumptions:

- Salary data ranges were correct as of 31 March 2012.
- The above is based on employees who worked more than 1,560 hours during the year.
- All employees receive the same pension, health and life insurance benefits.

STATISTICAL ANALYSIS - KING EDWARD VII MEMORIAL HOSPITAL

	April 2009 - March 2010	April 2010 March 2011	April 2011 - March 2012
INPATIENT - ACUTE CARE			
Beds	230	232	232
Patient Days	55,283	53,332	52,261
Discharges (incl. Deaths)	6,130	6,120	5,636
Length of Stay	8.9	8.7	9.3
Births	781	747	622
Percentage of Occupancy	66%	63%	62%
CONTINUING CARE UNITS			
Beds	120	121	121
Patient Days	39,543	41,589	42,948
Discharges	58	81	69
Length of Stay	681.8	513.4	622.4
Percentage of Occupancy	90%	94%	97%
HOSPICE			
Beds	12	9	9
Patient Days	2,655	2,527	1,782
Discharges	53	91	109
Length of Stay	50.1	27.5	16.3
Percentage of Occupancy	61%	68%	54%
ALL PATIENTS			
Emergency Dept. Visits - KEMH	34,439	33,314	33,958
Lamb Foggo Urgent Care Centre Visits*	4,343	5,667	5,606
Operations (Inpatients) & (SDA)	2,088	2,062	1,275
Operations (Outpatients)	7,271	7,134	7,258
Physiotherapy (units) (Inpatients)**	27,670	21,398	21,815
Physiotherapy (units) (Outpatients)	23,025	21,737	22,507
Physiotherapy (units) (CCU)	1,575	789	577
X-Ray Exams (In & Out)	32,150	32,496	32,476
Laboratory (Thousand Units) (In & Out)	3,864,575	3,657,517	3,570,739
Cardiac Investigations (ECG & EEG) (In & Out)	11,164	11,640	11,124
Ultrasound Exams(In & Out)	8,909	9,074	9,260
Nuclear Medicine (In & Out)	448	528	824
Chemotherapy Treatments (Outpatients)	1,644	1,288	1,565
Cat Scans (In & Out)	9,179	8,932	9,501
Occupational Therapy (units) (Inpatients)**	4,649	7,437	9,766
Occupational Therapy (units) (Outpatients)	2,676	2,791	3,926
Occupational Therapy (units) (CCU)	2,111	2,069	2,070
Speech/Language Pathology (Inpatient)**	4,725	5,132	6,929
Speech/Language Pathology (Outpatient)	1,550	2,370	5,107
Speech/Language Pathology (CCU)	1,029	1,405	2,625

* Lamb Foggo Urgent Care Centre Visits - opened April 2009

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

STATISTICAL ANALYSIS - MID-ATLANTIC WELLNESS INSTITUTE

	April 2009 - March 2010	April 2010 - March 2011	April 2011 - March 2012
INPATIENT - ACUTE CARE			
Beds	23	23	23
Discharges (including deaths)	242	222	222
Patient Days	6,535	6,091	6,369
Length of Stay	13	12.4	12
Admissions	251	230	235
Percentage of Occupancy	77%	72%	75%
LONG TERM & - REHABILITATION			
Beds	58	58	58
Discharges (excl. deaths)	87	73	101
Patient Days (excl. respite)	17,474	13,630	12,348
Length of Stay	47.88	187	122
Deaths	2	0	1
Transfer from Acute	N/A	N/A	N/A
Percentage of Occupancy	83%	65%	58%
Average Years of Stay of Deaths	584 days	N/A	129 days
TURNING POINT (SUBSTANCE ABUSE - DETOX UNIT)			
Beds	8	8	8
Discharges	106	104	87
Patient Days	1,553	1,095	890
Length of Stay	15	10	10
Admissions	105	102	85
Percentage of Occupancy	53%	38%	30%
CHILD & ADOLESCENT SERVICES (CAS)			
Beds	4	4	4
Discharges	22	13	15
Patient Days	173	117	103
Length of Stay	8	8	6
Admissions	23	9	15
Percentage of Occupancy	12%	8%	7%
OUTPATIENTS (Child & Adolescent/ Mental Health/ Substance Abuse/ Learning Disability) (The MWI Outpatients section has been revised to reflect the current reporting practice of the services)			
Total No. of New Admissions / Referrals	361	295	301
Total No. of Re-Admissions / Referrals	240	187	180
Total No. of Follow-up Appointments	16,234	4,758	4,684
Total No. of Day Patients Visits	10,161	10,649	11,650
Total No. of Walk-in / Unscheduled Visits	*13,793	12,074	12,074
Total No. of DNA to Scheduled Appointments	2,281	1,450	1,450
Total No. of TOP's	136	117	117
Total No. of Home Visits	3,924	4,535	5,261

Reid Ward has 25 beds

Devon Lodge has 18 beds

Clients have been moved into Community Group homes.

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

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

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

Bermuda Hospitals Board

Management's Responsibility for the Financial Statements

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

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

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

The accompanying Independent Auditor's Report is presented herein.

Mr. David Thompson
Chief Financial Officer
(January 26, 2016)

Mrs. Venetta Symonds
Chief Executive Officer and President
(January 26, 2016)

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INDEPENDENT AUDITOR'S REPORT

To the Minister of Health, Seniors and Environment

I have audited the accompanying financial statements of the Bermuda Hospitals Board, which comprise the consolidated statement of financial position as at March 31, 2012, and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Bermuda Hospitals Board as at March 31, 2012 and its results of operations, changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in Bermuda and Canada.

Other matter

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

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

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

Hamilton, Bermuda
January 26, 2016

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

BERMUDA HOSPITALS BOARD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2012

	2012 $	2011 $
		Restated (Note 23)
ASSETS		
Current assets		
Cash and term deposits	18,606,162	18,220,210
Restricted cash, term deposits and investments (note 4)	3,346,145	3,192,887
Accounts receivable (net of allowance for doubtful accounts 2012: $2,722,502 ; 2011: $1,106,592 (note 15)	35,372,287	38,510,226
Other receivables (note 15)	1,367,408	2,217,029
Prepaid expenses	2,003,881	1,110,035
Inventories	5,668,999	6,069,500
	66,364,882	69,319,887
Long-term assets		
Capital assets (note 5)	207,198,166	173,250,745
Term deposits	1,394,656	1,381,275
Other investments (note 6)	2,649,664	919,071
	211,242,486	175,551,091
	277,607,368	244,870,978
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities (note 15)	22,492,571	20,170,254
Accrued salary and payroll expenses (notes 10 and 15)	18,919,570	19,676,384
Long-term debt - current (note 7)	891,273	850,911
Capital lease obligations - current (note 8)	36,205	109,605
	42,339,619	40,807,154
Long-term liabilities		
Long-term debt (note 7)	58,797,672	30,082,998
Capital lease obligations (note 8)	68,727	61,758
Deferred capital contributions (note 9)	38,182,986	38,622,023
Pension accrual (note 10)	5,902,550	6,012,193
Accrued health insurance (note 10)	49,529,440	42,669,154
	152,481,375	117,448,126
Net assets		
Invested in capital assets	154,109,617	120,735,512
Internally restricted for KEMH New Acute Care Wing Project (note 11)	20,716,348	14,176,940
Internally restricted for education (note 11)	579,295	558,108
Deficit	(92,618,886)	(48,854,862)
	82,786,374	86,615,698
	277,607,368	244,870,978
Commitments and contingencies (notes 17 & 18)		

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

BERMUDA HOSPITALS BOARD

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2012

	KEMH	MWI	HPL	2012	2011
	$	$	$	$	$
					Restated (Note 23)
OPERATING REVENUES					
Outpatient (note 15)	157,837,695	340,303	-	158,177,998	141,976,905
Inpatient (notes 15)	86,564,453	3,111,315	-	89,675,768	88,830,549
Extended care unit (note 15)	18,719,111	-	-	18,719,111	18,167,438
Claims in excess of cap threshold (note 22)	(3,332,357)	-	-	(3,332,357)	(1,427,905)
Non-medical (note 15)	2,728,596	554,665	923,897	4,207,158	4,447,439
Amortisation of deferred capital contributions (note 9)	909,521	910,279	-	1,819,800	1,546,308
Donation in kind (note 19)	166,077	-	-	166,077	231,952
Donations	58,667	-	-	58,667	379,454
Interest income	27,940	-	12,242	40,182	159,485
Government grant (note 15)	-	38,578,000	-	38,578,000	39,698,501
Total operating revenues	263,679,703	43,494,562	936,139	308,110,404	294,010,126
SALARIES AND EMPLOYEE BENEFITS					
Direct medical staff	69,945,809	12,207,752	-	82,153,561	71,927,895
Supporting medical services	26,894,038	9,481,047	-	36,375,085	34,373,566
Employee benefits (notes 10 and 15)	23,601,006	5,067,912	55,264	28,724,182	26,767,325
Ancillary services	20,239,481	1,990,671	-	22,230,152	22,187,119
Administrative services	16,410,196	1,636,575	341,566	18,388,337	16,197,329
	157,090,530	30,383,957	396,830	187,871,317	171,453,234
OPERATING EXPENSES					
Medical supplies	27,931,290	840,754	-	28,772,044	26,439,136
General supplies and services (note 15)	23,483,048	3,751,796	149,509	27,384,353	35,564,297
Bad debt (note 12)	24,742,018	-	-	24,742,018	180,367
Amortisation of capital assets	9,629,293	1,140,192	-	10,769,485	9,622,098
Repairs and maintenance	8,228,900	871,704	23,276	9,123,880	10,561,756
Utilities (note 15)	6,978,857	1,599,983	21,262	8,600,102	7,699,356
Consulting and business	6,973,717	788,567	1,816	7,764,100	8,175,643
Food	2,285,362	963,780	40	3,249,182	3,162,763
Miscellaneous (note 15)	2,928,358	-	3,039	2,931,397	2,826,433
Interest expense	374,411	-	-	374,411	405,681
Business social cost (note 13)	291,179	-	-	291,179	343,320
Loss on disposal of capital assets	24,479	1,643	-	26,122	20,421
Scholarships issued	19,000	-	-	19,000	15,000
Management charge (note 14)	(2,998,679)	2,853,096	145,583	-	-
	110,891,233	12,811,515	344,525	124,047,273	105,016,271
Total expenses	267,981,763	43,195,472	741,355	311,918,590	276,469,505
(Deficiency) excess of revenues over expenses	(4,302,060)	299,090	194,784	(3,808,186)	17,540,621

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

BERMUDA HOSPITALS BOARD

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2012

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

	2011 (Restated - Note 23)				
	Invested in capital assets	Internally restricted for KEMH New Acute Care Wing Project	Internally restricted for education	Unrestricted (Deficit)/ Net assets	Total
NET ASSETS					
	$	$	$	$	$
Balance, beginning of year	87,933,190	6,931,337	541,513	(26,295,733)	69,110,307
Excess (deficiency) of revenues over expenses	(8,096,211)	7,245,603	43,018	18,348,211	17,540,621
Changes in unrealised losses on available for sale financial assets	-	-	(26,423)	(8,807)	(35,230)
Net change in investment in capital assets	40,898,533	-	-	(40,898,533)	-
Balance, end of year	**120,735,512**	**14,176,940**	**558,108**	**(48,854,862)**	**86,615,698**

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

BERMUDA HOSPITALS BOARD

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2012

	2012	2011
	$	$
		Restated (Note 23)
CASH FLOWS FROM OPERATING ACTIVITIES		
(Deficiency) excess of revenues over expenses	(3,808,186)	17,540,621
Amortisation of capital assets	10,769,485	9,622,098
Loss on disposal of capital assets	26,122	20,421
Amortisation of deferred capital contributions	(1,819,800)	(1,546,308)
Bad debt expense	(24,742,018)	(180,367)
Interest income	(40,182)	(159,485)
Interest expense	374,411	405,681
Unrealised loss on investments	(21,138)	(35,230)
Net change in non-cash working capital	36,552,382	6,059,000
Net cash from operating activities	17,291,076	31,726,431
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	(44,743,031)	(28,969,499)
Changes in pledges for capital assets	-	120,000
Changes in investments	(1,743,974)	(781,028)
Interest income received	40,182	112,065
Deferred capital contributions	1,380,763	10,088,932
Net cash used in investing activities	(45,066,060)	(19,429,530)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	28,755,036	(899,236)
Proceeds from capital leases	-	91,080
Repayment of capital leases	(66,431)	(153,837)
Interest paid	(374,411)	(424,457)
Net cash from (used in) financing activities	28,314,194	(1,386,450)
Net increase in cash and cash equivalents	539,210	10,910,451
Cash and cash equivalents, beginning of year	21,413,097	10,502,646
Cash and cash equivalents, end of year	21,952,307	21,413,097
Cash and cash equivalents consist of the following:		
Cash and term deposits	18,606,162	18,220,210
Restricted cash, term deposits and investments	3,346,145	3,192,887
	21,952,307	21,413,097
Non-cash transaction		
Financing - reorganisation of long-term debt	-	5,667,891

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

1. AUTHORITY AND ORGANISATION

a. AUTHORITY

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

b. ORGANISATION

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting principles generally accepted in Bermuda and Canada. For financial reporting purposes, the Board is classified as a government not-for-profit organisation and has adopted accounting policies appropriate for this classification. The policies considered significant are set out below:

a. PRINCIPLES OF CONSOLIDATION

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

b. OTHER INVESTMENTS

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

On October 14, 2011, the Board purchased 25% of the shares in Mill Reach Properties Limited ("MRP"). MRP currently owns the building located on 2 Mill Reach Lane, which leases warehouse space to BHB for the Materials Management Department. MRP investment is accounted for by the cost method due to the fact BHB does not have significant influence over the strategic operations and financing policies of this investment.

c. REVENUE RECOGNITION

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

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

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

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

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

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

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

d. CAPITAL ASSETS

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Betterments, which extend the estimated life of an asset, are capitalised. When a capital asset no longer contributes to the Board's ability to provide services, its carrying amount is written down to its residual value.

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

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

Construction in progress ("CIP")

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

New acute care wing project ("ACW")

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

e. CASH AND CASH EQUIVALENTS

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

f. INVENTORIES

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

g. DONATED SERVICES

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

h. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

Held for trading

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

Receivables

Receivables are accounted for at amortised cost using the effective interest method. The carrying value of accounts receivable approximates their fair values due to their short-term maturity. Receivables that are considered unlikely to be recoverable are allowed for as doubtful debt and written off when it becomes known that the receivable will not be recovered.

Available-for-sale

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

Other liabilities

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

i. EMPLOYEE HEALTH INSURANCE PLAN

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

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

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

J. USE OF ESTIMATES

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

K. RELATED PARTY

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

3. ECONOMIC DEPENDENCE

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

4. RESTRICTED CASH, TERM DEPOSITS AND INVESTMENTS

	2012	2011
Restricted cash	$ 2,877,579	$ 2,708,467
Restricted investments	468,566	484,420
	3,346,145	3,192,887

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

	2012		2011	
	Market Value	Cost	Market Value	Cost
Ascendant Group Limited	$ 624,754	$ 144,651	$ 645,893	$ 144,651

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

	2012	2011
External		
Patient comfort funds	$ 1,930,661	$ 1,898,137
Construction projects and capital assets	464,743	328,157
	2,395,404	2,226,294
Internal		
Educational purposes	950,741	966,593
	$ 3,346,145	$ 3,192,887

5. CAPITAL ASSETS

	2012			2011
	Cost	Accumulated Amortisation	Net Book Value	Net Book Value
Land and buildings	$ 155,056,388	$ 51,875,700	$ 103,180,688	$ 101,044,101
Construction in progress (note 17)	71,713,183	-	71,713,183	41,079,080
Equipment	65,638,621	39,954,133	25,684,488	22,906,513
Computer equipment	10,718,602	6,378,074	4,340,528	4,728,366
Software	10,191,263	7,983,751	2,207,512	3,349,238
Capital leases- copiers	108,036	36,269	71,767	143,447
	$ 313,426,093	$ 106,227,927	$ 207,198,166	$ 173,250,745

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

The insured value of the Board's buildings, contents and business interruption coverage is approximately $369 million (2011: $369 million).

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

As at March 31, 2012, the CIP balance includes costs of $52,215,525 (2011: $22,609,407) which represent the ACW design and construction related costs incurred by PHS, which commenced construction in December 2010 and with a completion date of 2014, and direct costs incurred by BHB related to the ACW in the amount of $16,815,688 (2011: $15,358,444).

6. OTHER INVESTMENTS

Other investments are comprised of the following:

	2012	2011
UIL shares	$ 757,597	$ 700,000
Equity share of UIL's net income/(loss)	(14,142)	57,597
UIL shares, total	743,455	757,597
Ascendant Group Limited, at market value	156,189	161,474
MRP shares, at cost	1,750,020	-
	$ 2,649,664	$ 919,071

7. LONG-TERM DEBT

	2012	2011
Long-term bank debt	$ 6,582,147	$ 7,473,591
Long-term debt related to ACW (see Note 17b)	52,215,525	22,609,407
	$ 58,797,672	$ 30,082,998

	2012	2011
The Bank of N.T. Butterfield & Son Limited ("BNTB") bond refinanced loan of US$4,004,141, interest rate of 4.85% per annum, with repayments quarterly in arrears of principal and interest of $126,928 up to February 15, 2018. The loan is unsecured.	$ 2,639,652	$ 3,008,709
BNTB loan of $5,563,617, interest rate of 0.75% per annum over the BNTB's Bermuda Dollar Base Rate, with repayments in equal blended monthly installments of principal and interest of $59,343 up to October 30, 2020. The loan is secured by a charge over the related capital assets.	4,833,768	5,315,793
	7,473,420	8,324,502
Less: Current portion	891,273	850,911
	$6,582,147	$7,473,591

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

Year	Amount
2013	$ 891,273
2014	933,553
2015	977,841
2016	1,024,234
2017	1,072,829
2018-2021	2,573,690
	$ 7,473,420

The fair value of long-term debt with BNTB is approximately $7.7 million (2011: $8.6 million) based on the estimated present value of contractual future payments of principal and interest, discounted at the current market rates of interest available to the BHB for the same or similar debt instruments.

8. CAPITAL LEASE OBLIGATIONS

	2012	2011
Obligations under capital leases for photocopying equipment, interest rate of 5% per annum, with repayments monthly of principal and interest expiring between May 25, 2011 and May 25, 2014.	$ 104,932	$ 171,363
Less: Current portion	36,205	109,605
	$ 68,727	$ 61,758

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

Year	Capital lease Obligations	Interest	Total Minimum lease Payments
2013	$ 36,205	$ 3,072	$ 39,277
2014	41,277	1,586	42,863
2015	27,450	153	27,603
	$ 104,932	$ 4,811	$ 109,743

9. DEFERRED CAPITAL CONTRIBUTIONS

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

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

	2012	2011
Balance, beginning of year	$ 38,622,023	$ 30,079,399
Add: contributions received	1,380,763	10,088,932
Less: amounts amortised to revenue	(1,819,800)	(1,546,308)
Balance, end of year	$ 38,182,986	$ 38,622,023

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

	2012	2011
Unamortised capital contributions used to purchase assets	$ 37,718,243	$ 38,293,866
Unspent contributions	464,743	328,157
	$ 38,182,986	$ 38,622,023

10. EMPLOYEE BENEFITS

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

- The cost of pensions and other retirement benefits for deferred benefit plans earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs.
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.
- The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortised over the average remaining service period of active employees. The average remaining service period of the active employees covered by the pension plan is Nil years (2011: 0.24 years). The average remaining service life of the active employees covered by the other retirement benefit plans is 9.43 years (2011: 9.24 years).

a. PENSION PLANS

Defined Contribution Plan

There is a defined contribution pension plan in place for all employees, whereby the Board contributes 6% of gross salary and the employee contributes 4% of gross salary. Prior to January 1, 2000, vesting rights began to accrue after five years with respect to the Board's contributions. Beginning January 1, 2000, 100% of the Board's contributions vest after two years. When an employee ceases employment with the Board, other than through retirement, the Board's unvested contributions are reflected as a reduction in employee benefits expense. The expense for the year ended March 31, 2012 totaled $5,284,872 (2011: $4,830,338).

Defined Benefit Plan

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

	2012	2011
Long-term liability		
Balance, beginning of year	$ 6,012,193	$ 5,535,026
Pension expense		
Current cost	71,199	67,950
Interest	360,732	332,102
Benefits paid	(411,915)	(411,915)
Experience (gain)/loss	(129,659)	489,030
Balance, end of year	$ 5,902,550	$ 6,012,193

BHB and Government have obtained an actuarial valuation of the accrued pension benefits at March 31, 2012, which estimates that the Board's portion of the liability under the 1948 Act is approximately $5.9 million as at March 31, 2012 (2011: $6.0 million). The significant actuarial assumptions adopted in measuring the Board's accrued benefit obligations include a discount rate of 6% (2011: 6%) and a salary escalation rate of 4% (2011: 4%).

To date, no contributions have been made by the Board and the plan remains unfunded. Benefits are paid by the Government, and at March 31, 2012, the Board's payable to the Government totals $4,612,741 (2011: $4,195,489) and is included in accounts payable and accrued liabilities.

b. OTHER EMPLOYEE BENEFITS

Other employment benefits include maternity leave, sick leave, vacation days and health insurance. All of these benefits are unfunded.

Maternity leave does not accumulate or vest and therefore an expense and liability is only recognised when leave has been applied for and approved or when a settlement amount can be reasonably determined. The total approved maternity leave as at March 31, 2012 is $21,449 (2011: $407,204) and is included in accrued salary and payroll expenses.

Sick leave accumulates but does not vest, and like maternity leave, a liability is recorded only when extended leave is applied for and approved. As at March, 31, 2012, the liability is $78,109 (2011: $127,176) and is included in accrued salary and payroll expenses.

Vacation days accumulate and vest and therefore a liability is accrued each year. The expense for the year ended March 31, 2012 is $11,452,833 (2011: $10,420,770) and the benefits paid out total $10,610,551 (2011: $9,547,239) resulting in a liability as at March 31, 2012 of $9,790,843 (2011: $8,948,560).

The Board pays 50% of the health insurance premiums for employees who retire from the Board. The significant actuarial assumptions adopted in measuring the Board's accrued benefit obligations include a discount rate of 5.75% (2011: 6%) and a medical trend rate of 10% decreasing by 1% per annum to an ultimate rate of 6% after 5 years.

	2012	2011*
Long-term liability		
Balance, beginning of year*	$ 42,669,154	$ 38,459,211
Plan expense		
Current cost	1,553,242	1,293,232
Interest	2,510,081	2,355,408
Benefits paid	(1,137,642)	(991,282)
Experience loss	3,934,605	1,552,585
Balance, end of year	$ 49,529,440	$ 42,669,154

*See note 23, Prior year restatement.

As at March 31, 2012, the BHB Health Plan had a net surplus of $485,082 (2011: $170,598).

11. INTERNAL RESTRICTIONS ON NET ASSETS

The Education Fund reflects an accumulation of investment income designated for educational purposes. The balance of the Education Fund at March 31, 2012 is $579,295 (2011: $558,108).

The Board has established a KEMH ACW Fund to ensure that there is adequate funding available in operations when the annual service payments for the new building commence in 2014. The reserve consists of 1% of annual patient revenues as well as an annual contribution from KEMH operational savings. The balance of the KEMH ACW Fund at March 31, 2012 is $20,716,348 (2011: $14,176,940).

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

12. BAD DEBT

Included in the bad debt expense are:

	2012	2011
Write-off of 2010/11 and 2011/12 subsidies	$ 16,959,592	$ -
General provision for overdue accounts	1,615,908	180,367

The write-off of 2010/11 and 2011/12 subsidies are due to two write-offs subsequent to year end. Following discussions with the MoH in late 2012, the BHB resolved to write off $13.8 million on October 23, 2012 in government debt for claims to the subsidy and other Government funds that stretches over 2010/11 and 2011/12 financial periods. The Minister of Health, Seniors and Environment had directed the BHB to write off $14.2 million on January 31, 2014 in government debt for claims to the subsidy and other Government funds that stretches over 2011/12 and 2012/13 financial periods, included in the $14.2 million write off is $3.2 million for 2011/12 subsidy. The write-offs for 2010/11 and 2011/12 are both accrued for in the provision for doubtful debt in the current year and the write-off for 2012/13 year will be accrued for in the corresponding period.

13. BUSINESS SOCIAL COST

The BHB, as a part of its mandate, is required to provide service to all patients, irrespective of their ability to pay. During the course of its operations, the BHB provided services to a number of persons who were unable to pay. These expenses are classified as business social costs. The amount recognised as business social cost for the year ended March 31, 2012 is $291,179 (2011: $343,320).

14. MANAGEMENT CHARGE

A number of administrative services are provided by KEMH to MWI and HPL for which a management charge is made. These services include information system management, employee recruitment and administration, facility repairs, purchasing, pharmacy, telecommunications, dietary, accounting, and general administration. The BHB uses the employee cost for each department and cost of hardware and software maintenance contracts to calculate the management charge. The management charge is calculated based on the estimated percentage of time that each department spends working with MWI and HPL. The amount charged for the year ended March 31, 2012 is $2,853,096 (2011: $2,292,185). The management fee charged by KEMH to HPL for the year ended March 31, 2012 is $145,583 (2011: $89,784).

15. RELATED PARTY TRANSACTIONS AND BALANCES

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

a. GOVERNMENT GRANTS

Government grants were as follows:

	2012	2011
Operating grant - MWI	$ 38,578,000	$ 39,698,501
Capital grant - MWI	120,000	743,129
Capital grant - KEMH ACW (note 17)	-	10,000,000
	$ 38,698,000	$ 50,441,630

b. GOVERNMENT SUBSIDY PROGRAMMES

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

	2012	2011
Aged subsidy	$ 59,797,795	$ 55,801,904
Geriatric subsidy	16,582,509	15,187,878
Youth subsidy	14,637,729	16,433,085
Indigent subsidy	8,951,102	5,893,624
Other subsidy	7,391,258	6,846,521
Clinical drugs*	2,368,479	2,368,479
	$ 109,728,872	$ 102,531,491

As at March 31, 2012, $21,011,466 (2011: $5,736,558) was outstanding from Government. This amount is included in accounts receivable.

*The clinical drugs subsidy in 2012 of $2,368,479 was in addition to the $107,360,393 confirmed subsidy allocation, in 2011 it was included in the $102,531,491 confirmed subsidy allocation.

c. MUTUAL RE-INSURANCE FUND

The HID approved the following claims:

	2012	2011
Hemodialysis treatments	$ 13,480,093	$ 12,352,989
Long stay patients	3,214,165	2,684,784
Anti-rejection drugs	212,268	298,911
Home health care	104,675	446,124
	$ 17,011,201	$ 15,782,808

As at March 31, 2012, $1,648,519 (2011: $1,210,737) is receivable from the Mutual Re-insurance Fund. This amount is included in accounts receivable. The Mutual Re-insurance Fund is a fund set up to administer services for hemodialysis treatments, home health care, long stay patients and anti-rejection drugs. This Fund is financed by the commercial insurers and managed by the HID.

d. HEALTH INSURANCE FUND

The HID approved the following claims:

	2012	2011
Health Insurance Fund	$ 13,133,398	$ 10,756,184

As at March 31, 2012, $1,973,601 (2011: $517,740) is receivable from the Health Insurance Fund. This amount is included in accounts receivable. The Health Insurance Committee administers the Health Insurance Fund, a program for individuals who are between the ages of 18 - 65 providing standard medical benefits.

e. FUTURECARE FUND

The HID approved the following claims:

	2012	2011
FutureCare Fund	$ 3,209,195	$ 2,900,198

As at March 31, 2012, $424,962 (2011: $127,012) is receivable from the FutureCare Fund. This amount is included in accounts receivable. The Health Insurance Committee administers the FutureCare Fund, a program for individuals who are over the age of 65 providing standard medical benefits.

f. GOVERNMENT EMPLOYEES HEALTH INSURANCE FUND

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

	2012	2011
GEHI	$ 20,184,834	$ 19,349,288

As at March March 31, 2012, $1,408,812 (2011: $1,061,163) is receivable from GEHI. This amount is included in accounts receivable. GEHI is a government issued insurance for government employees, ministers and members of the legislature and their enrolled dependents.

g. OTHER AMOUNTS

War Veteran Association claims, in the amount of $4,236,077 (2011: $3,577,504) were billed during the year.

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

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

	2012	2011
Payroll Tax	$ 3,970,139	$ 5,840,480
Social insurance	2,698,237	2,452,466
Services provided by the Ministry of Public Works	1,190,452	1,285,463
Nurses' annual pensions	411,915	411,915
Superannuation	596	8,371
Land tax	–	289
Miscellaneous charges	98,819	146,605
Non-refundable duty	1,238,624	1,129,750

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

	2012	2011
Payroll tax	$ 8,069,614	$ 7,138,481
Social insurance	2,579,612	2,513,503
	$ 10,649,226	$ 9,651,984

The following are other related party balances with Government as at March 31, 2012:

	2012	2011
Accounts receivable		
Miscellaneous departmental charges	$ 203,590	$ 313,983
Net amounts due (to)/from the Government on behalf of the War Veterans Association	(532,949)	126,069
Other receivables		
Refundable deposits paid for duty	$ 211,661	$ 231,237
Accounts payable and accrued liabilities		
Nurses' annual pensions accrual	$ 4,607,404	$ 4,195,489
Ministry of Public Works	381,699	109,189
Accrued salary and payroll expenses		
Payroll tax	$ 2,816,012	$ 3,640,601
Social insurance	393,346	402,424

During the year, the BHB paid $593,554 in rent to MRP.

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

16. OVERDRAFT FACILITY

The BHB has an overdraft facility with BNTB of up to $12.45 million (2011: $12.45 million), which bears interest at a rate of 2% (2011: 2%) above the Bank's Base Rate, and is available until June 30, 2013. The facility was not in use at March 31, 2012 or March 31, 2011.

17. COMMITMENTS

a. PROPERTY LEASES

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

Year	Amount
2013	$ 2,744,434
2014	2,382,434
2015	2,147,434
2016	744,272
	$ 8,018,574

b. NEW ACUTE CARE WING PROJECT

The ACW construction commenced in December 2010 and was expected to be completed in June 2014. The design, construction, financing and maintenance of the new facilities are being delivered in the form of a public private partnership ("PPP"). The ACW is a joint undertaking between the Board and PHS. In December 1, 2010 the Board signed a Project Agreement with PHS after a competitive bidding process.

A one-time initial payment of $40 million is payable by the Board in 2014 upon completion of construction in accordance with design and construction obligations set out in the Project Agreement. Refer to note 26 for more detail on the one-time initial payment.

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

ACW construction costs included in CIP as at March 31, 2012 is as follows:

	2012	2011
PHS CIP	$ 52,215,525	22,609,407
BHB CIP	16,815,688	15,358,444
	$ 69,031,213	$ 37,967,851

The ACW CIP as at March 31, 2012 related to PHS represents design and construction related costs incurred by PHS, independently verified by their lenders' technical advisors. A long term commitment to PHS for their CIP was recorded as part of BHB's long-term debt (note 7). The ACW CIP as at March 31, 2012 related to BHB represents direct costs incurred by BHB for the ACW. The costs incurred as at March 31, 2012 were financed primarily by a $10 million government grant in 2011 and the remaining costs were paid directly by BHB.

18. CONTINGENCIES

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

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

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

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

19. DONATION IN KIND

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

20. FINANCIAL RISK MANAGEMENT

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

a. CREDIT RISK

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

Cash and Cash Equivalents

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

Accounts Receivable

Accounts receivable consist primarily of trade accounts receivable from billings of services provided. The Board's credit risk arises from the possibility that a counterparty which owes the Board money is unable or unwilling to meet its obligations in accordance with the terms and conditions in the contracts with the Board, which would result in a financial loss for the Board. This risk is mitigated through established credit management techniques and supplemented by use of professional credit agencies. In the year ended March 31, 2012, the maximum credit risk to which the Board is exposed represents the fair value of its accounts receivable.

b. LIQUIDITY RISK

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

c. MARKET RISK

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

Foreign exchange risk

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

Interest rate risk

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

21. CAPITAL DISCLOSURES

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

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

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

22. CLAIMS IN EXCESS OF CAP THRESHOLD

Under the Memorandum of Understanding ("MOU") each local insurance company has agreed to cap the amount of claims paid to BHB in regards to the offering of specific services in Bermuda. The services include comprehensive diagnostic, treatment and rehabilitative services through the KEMH, MWI, Urgent Care Centers and certain other businesses 100% owned by BHB. The MOU has been signed with Somers Isles Company Limited, Colonial Medical Insurance Co. Ltd and BF&M Life Insurance Company Limited. BHB bills the insurer for services rendered April 1, 2011 to March 31, 2012. As at March 31, 2012 claims in excess of the cap threshold is $3,332,357 (2011: $1,427,905).

23. PRIOR YEAR RESTATEMENT

Subsequent to the issuance of the March 31, 2011 financial statements, BHB has determined that the accrued health insurance liability was understated. BHB is responsible to pay 50% of premiums for the post-retirement health benefit of eligible retirees, with the eligible retirees responsible for the remaining 50%. BHB pays 100% of the premiums and collects the eligible retiree's portion. The understatement arose because BHB only accrued for the future health insurance payable portion due by BHB and not also the portion payable by eligible retirees. Consequently, the cumulative effect of correction of this error has caused the opening balance of net assets as at April 1, 2010 to be decreased by $7,827,182 and the health insurance accrual has been increased by $7,827,182 in relation to the prior period error.

The 2011 balances have also been restated to reflect the increase in the health insurance accrued liability and salaries and employee benefits expense of $794,062 for the current year portion of the 2011 pension liability balance which had been recorded as part of the March 31, 2011 financial statements.

The effect of the restatement on the 2011 financial statements is summarized below:

Statement of Operations		
Increase in Salaries and employee benefits expense	$	794,062
Decrease in Excess of revenues over expenses		(794,062)
Statement of Financial Position		
Increase in Accrued health insurance liability		794,062
Increase in Deficit		(794,062)
Effect on periods prior to 2011 – Statement of Financial Position		
Increase in Health insurance liability		7,827,182
Decrease in Unrestricted net assets		(7,827,182)

24. FUTURE ACCOUNTING CHANGES

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

25. COMPARATIVE FIGURES

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

26. SUBSEQUENT EVENTS

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

Refer to note 12 for details of bad debt write-offs occurring subsequent to year-end.

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

At March 31, 2015 the UIL minority shareholders purchased the HPL shareholdings in UIL for an amount of $600,000.

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