

2016/17



ANNUAL REPORT



The 2016-2017 Annual Report of the Bermuda Health Council

Contact us:

If you would like any further information about the Bermuda Health Council, or if you would like to bring a healthcare matter to our attention, we look forward to hearing from you.

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Government of Bermuda
Ministry of Health and Seniors



MESSAGE FROM THE MINISTER OF HEALTH AND SENIORS

As Minister of Health and Seniors I'm pleased to introduce the Bermuda Health Council's Annual Report 2016/17.

This has been a busy and productive year for the Bermuda Health Council, as it strove to strengthen regulation and improve efficiency and quality of Bermuda's health system.

Notable among its accomplishments has been the roll out of voluntary registration of health service providers (businesses). This was completed in anticipation of legislation to regulate health businesses and has laid a strong foundation as they work to improve regulatory oversight of the health system.

Also of note, the Health Council is on the cusp of rolling out a Unique Patient Identifier for every individual who uses Bermuda's health system. This will not only provide a key component for long-term development of an integrated electronic health system, but will enable better short-term coordination of care and reduced duplication of services. This progress supports health system goals for improvements to cost efficiency and care quality and is also in line with the Health Council's role in the Pan American Health Organization's plans to develop Caribbean-wide health information systems.

The Health Council continues to fulfil its mandated function to educate the public about health system trends and enforce health legislation. The *2016 National Health Accounts Report* revealed that Bermuda has finally bent the cost curve. Total health expenditure went down for the first time on record, indicating that the island's combined efforts to control spending are bearing fruit and moving us in the right direction.

The Health Council's regulation of employers' compliance with the *Health Insurance Act* has also been of paramount importance. This Act ensures all persons entitled to health insurance coverage receive it so that when they need care, they can access it more readily.

I would like to thank to everyone at the Bermuda Health Council for their commitment and hard work this year. I look forward to a productive year ahead, focused on health financing reform, improved regulation of the health system and greater collaboration to reduce health costs and improve patient care.

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



MESSAGE FROM THE CHAIRMAN

This fiscal year, the Health Council continued to improve on its legislated mandate of regulating, coordinating and enhancing the delivery of health services. Collaborating with numerous health system stakeholders, we were able to enhance safety, reduce costs and increase transparency.

Details of our efforts were noted in key publications which are a key driver of improving transparency, care quality and standards. Annually, the Health Council publishes the *National Health Accounts*, which aligns Bermuda's health finance and expenditure with other OECD countries. In 2016/17, we recorded a decrease of \$7,318,000 in total health expenditure from 2015/16. We publish an annual Actuarial Report which explains the process for determining the Standard Premium Rate for the upcoming fiscal year and offers recommendations about what changes should be made to Standard Health Benefit. We also publish an annual *Statutory Board Self-Assessment Report* which provides reassurance that Bermuda has well-trained and qualified health professionals delivering quality care; and the *Employers' Compliance Annual Report* which summarises our efforts to ensure all eligible employees receive health insurance coverage. This fiscal year, we restored health insurance coverage to 1,650 employees.

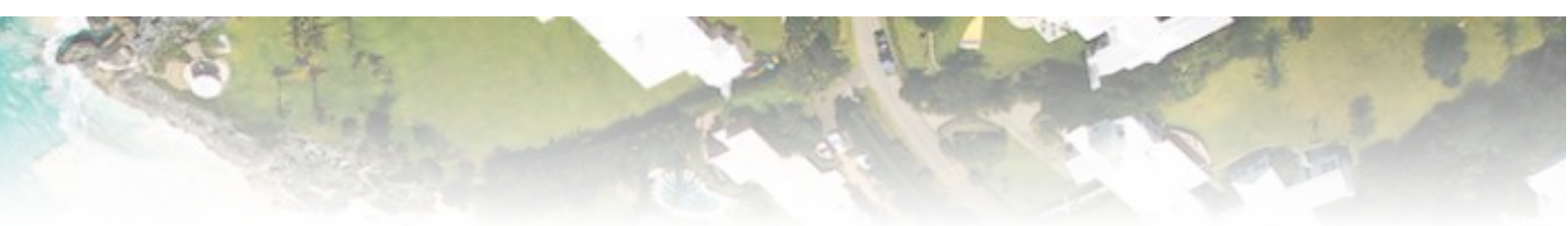
In September 2016, we began voluntary registration of health service providers (facilities); 256 health facilities completed that registration process which supports our efforts to increase the public's knowledge of available health services and professionals.

Much of what we do can be traced back to health system complaints and queries that we receive. We use this information to identify gaps in the health system and align our corporate plan with closing those gaps. This year we addressed nearly 200 complaints and queries and participated in numerous consultations and collaborations to guide health system improvements.

As we continue our efforts to reduce healthcare costs and improve the quality of care, we look forward to engaging the public in conversations about health system changes which include introducing initiatives that will reduce premiums, enhance oversight of health businesses, and encourage implementation of an electronic health record.



Simone Barton
Chairman





MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

As the Chief Executive Officer of the Bermuda Health Council, it is an honor to reflect on our journey and accomplishments for fiscal year 2016/17. It has been a year with rewarding moments and some notable challenges. I am proud of the progress we've made as we strive towards our vision of achieving a quality, equitable and sustainable health system.

This year we refocused our regulatory efforts to be more responsive to the concerns of the public. For example, we facilitated development of proposed patient safety laws to ensure that each time someone accesses healthcare, they are being appropriately treated by trained professionals, using safe medical equipment in facilities delivering quality care. The launch of the patient safety campaign reached over 30,000 residents in Bermuda.

We visited several local businesses inspecting records to ensure compliance with the Health Insurance Act; this resulted in 1,650 employees receiving health insurance coverage and being able to access healthcare when needed.

There has been improvement in the number of providers who are submitting health claims electronically; this ensures that providers are paid on time for their health services enabling them to deliver care without compromising quality. For example, this fiscal year there were 111 providers submitting electronic claims as compared with 52 providers in 2014/15 when the law was changed to prevent insured persons from paying upfront for care.

There has also been improvement in health spending; we have seen total health expenditures decline from \$693M to \$685.8M. We also reported on overseas care spending reaching international audiences and our report was highlighted by media outlets in select US states, the UK and the Caribbean.

The fiscal year ended with a collaborative project to develop a Unique Patient Identifier (UPI) for each resident in Bermuda. The UPI is a progressive step in helping to ensure that the right data is matched with the right patient, ultimately reducing duplication and administrative errors, and most importantly, enhancing patient safety. The UPI will enable Bermuda to eventually introduce an Electronic Health Record or information exchange system.

The Health Council was established to regulate, coordinate and enhance the delivery of health services in Bermuda and this would not be possible without the support from and collaboration with key stakeholders both locally and overseas. We recognize the importance of continuing to strengthen these relationships in the year ahead as we work towards envisioning Bermuda as being the healthiest island in the world.



Tawanna Wedderburn
Chief Executive Officer



MISSION

To regulate, coordinate and enhance the delivery of health services in Bermuda.

VISION

Achieving a quality, equitable and sustainable health system.

PRIORITIES

Every year, the Bermuda Health Council reviews its strategic priorities and aligns stakeholder concerns with our legislated mandate. In 2016/17, we set our priorities considering individuals, knowing we are in a time of envisioning, moving from emphasis on treating diseases, to encouraging physical and mental well-being, improving safety in facilities and enhancing access to health insurance coverage.



Our objectives focused on the following priority areas:

CARE QUALITY & STANDARDS

Collaborating with all who have a vested interest in our health system to encourage best practice when delivering healthcare

FINANCE & ECONOMICS

Monitoring resources available for improving the health system and the health of the population

ACCOUNTABILITY

Being transparent to the public about what we do and how we do it

REGULATION

Ensuring all organisations and services that influence our health are operating according to the law.

Our accomplishments for fiscal year 2016/17 are outlined in the following Annual Report.





DELIVERING ON OUR PRIORITIES

- Care Quality & Standards
- Finance & Economics
- Accountability
- Regulation

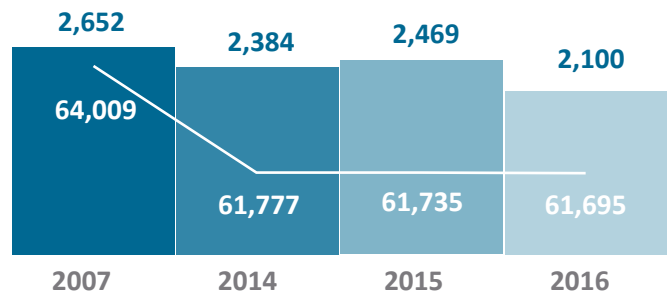
CARE QUALITY & STANDARDS

First-rate, quality care strengthens the health system

UPHOLDING STANDARDS FOR PROFESSIONALS

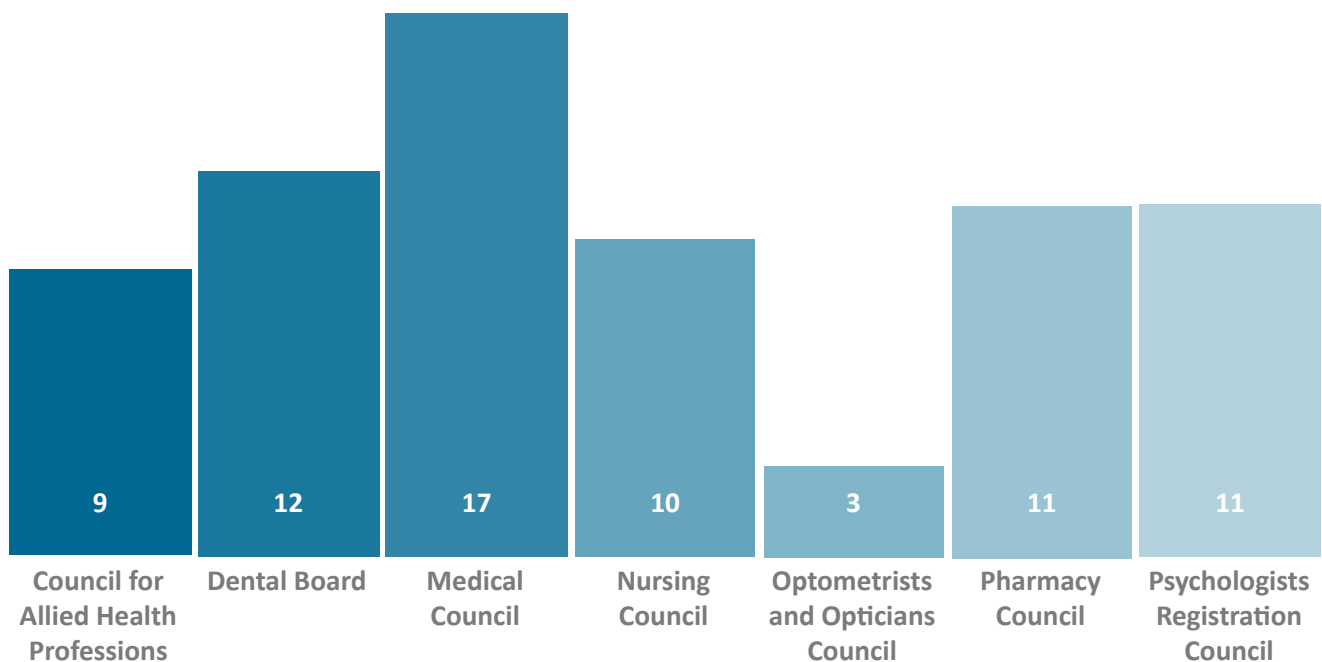
The Health Council monitors the performance of regulated health professionals by asking the statutory boards to submit self-assessments of their complaints and disciplinary procedures, board composition and registration processes. Having the statutory boards evaluate themselves encourages transparency and helps to ensure that Bermuda has well-trained and qualified health professionals to deliver quality care.

Figure 1: Change in the Number of Registered Health Professionals and Resident Population by Calendar Year



In February 2017, the Health Council published our second annual *Statutory Boards Self-Assessment Report*. The report showed that the number of health professionals has declined in the last few years. However, the number of registered professionals appears sufficient to meet the population's needs noting that the population has also decreased over time (Figure 1). The report also indicated that statutory boards meet regularly (Figure 2) and are compliant with existing legislative requirements to ensure health professionals have the necessary credentials and training to practice in Bermuda.

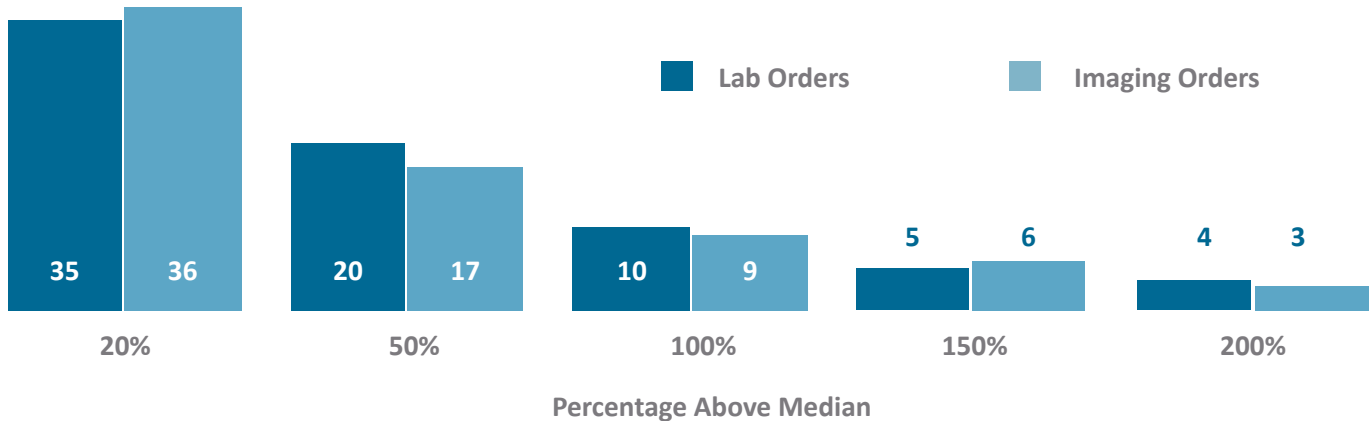
Figure 2: Number of Board Meetings Held between September 2015 and August 2016



ENSURING PATIENTS ARE APPROPRIATELY TESTED

Twice a year, the Health Council reviews physicians' diagnostic imaging and lab order rates individually and across speciality areas. This initiative began at the request of, and in collaboration with the Bermuda Medical Doctors Association to facilitate discussion among physicians about diagnostic testing and to encourage physicians to continue to seek clinical guidance from their colleagues as needed.

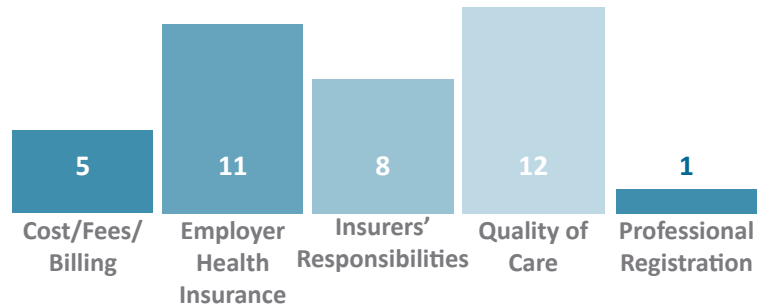
Figure 3: Number of Physicians with Ordering Rates Above the Median for Diagnostic Imaging and Labs in 2016



GUARANTEEING THAT YOU ARE HEARD

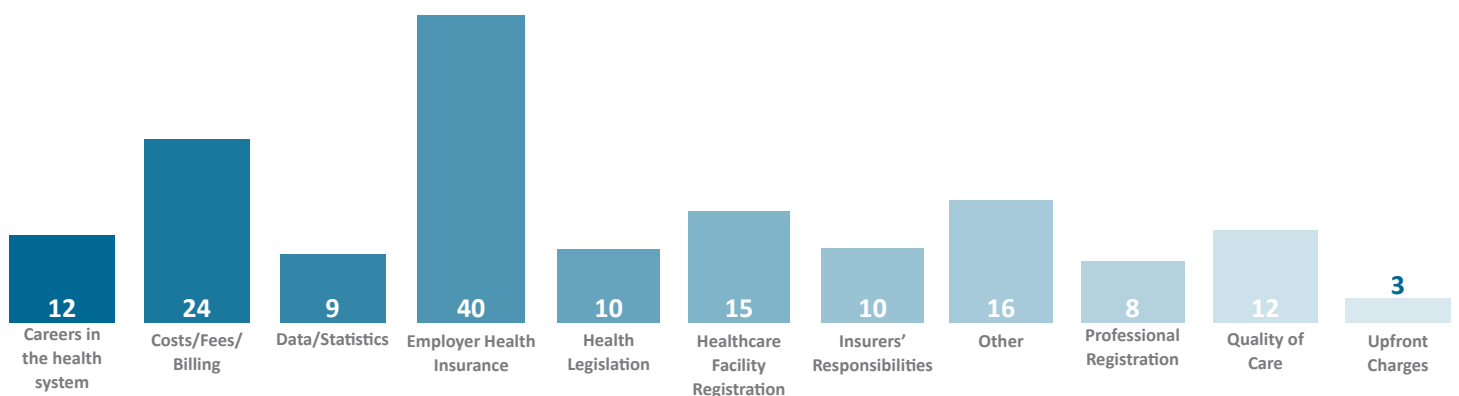
The Health Council actively listens to feedback and has a formal process to track the number of health system complaints and queries received. This process allows us to keep abreast of important issues and work collaboratively to identify solutions to improve care and educate our stakeholders about their role within the health system.

Figure 4: Nature of Complaints Received



This year, the Health Council received 37 complaints and 159 queries; a decrease of 33% (55) in complaints and a decrease of 11% (178) in queries from 2015/16. The majority of complaints, 32%, centred on quality of care and employer health insurance (30%). The majority of queries (25%) were about employer health insurance and the costs and charges associated with healthcare services (15%). Figures 4 and 5 detail the nature of complaints and queries received.

Figure 5: Nature of Queries Received



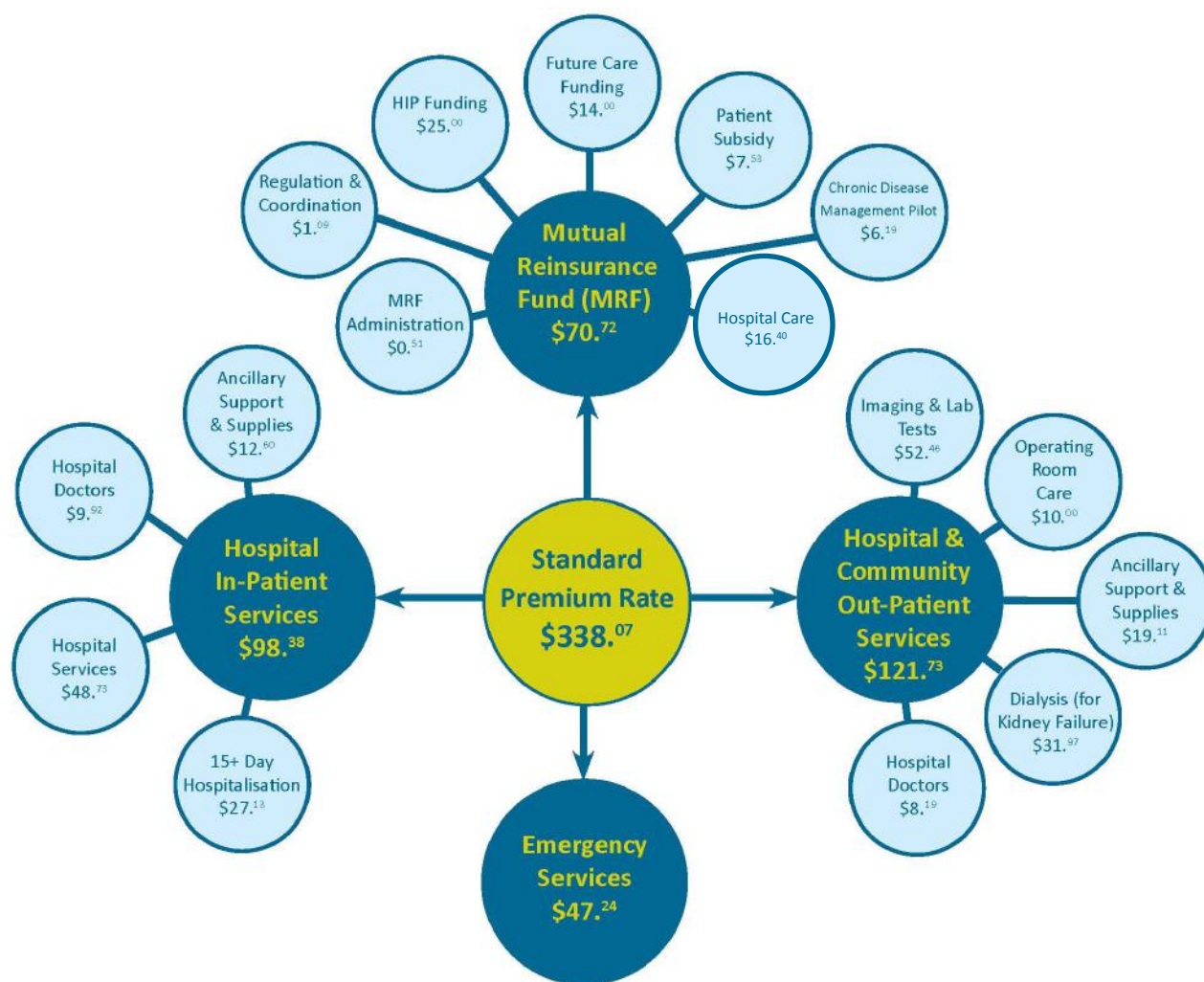
FINANCE & ECONOMICS

Professionals are compensated fairly for delivering care

RECOMMENDING A MORE EFFECTIVE STANDARD HEALTH BENEFIT (SHB) AND STANDARD PREMIUM RATE (SPR)

SHB is the minimum package of benefits included in every health insurance policy sold in Bermuda; the SPR is the cost of that package. SHB ensures that everyone has access to basic health benefits such as hospitalization, diagnostic imaging and home medical services. SHB and the SPR are reviewed annually in collaboration with the Ministry of Health and Seniors and the Bermuda Hospitals Board. Based on this collaborative review, the recommendation was for the SPR to remain the same as the previous year and to include additional benefits such as the Zio Patch, peripheral artery disease care, high-risk foot podiatry and plasma exchange. Details of the financial impact of these changes and the SPR determination process are published the *2016 Actuarial Report*.

Figure 6: Benefits and Services Funded by the SPR

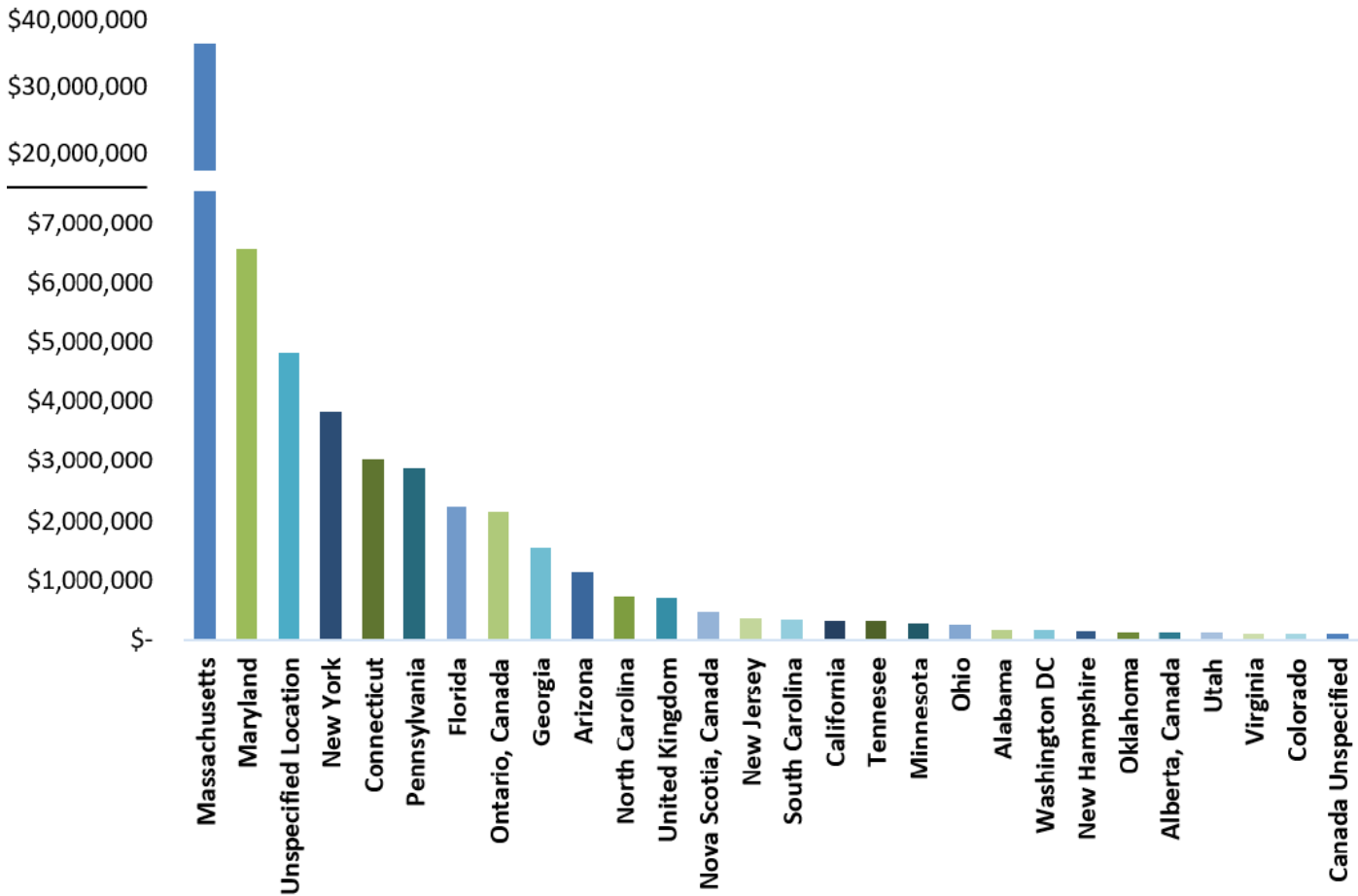




PUTTING BERMUDA ON THE OVERSEAS HEALTHCARE MAP

Overseas Care: A Synopsis of Trends for the Islands of Bermuda (Synopsis) was an inaugural report released this fiscal year providing an in-depth analysis of the \$84.5M (13% of total health expenditure) worth of claims for care and related services provided to Bermuda’s residents overseas. The *Synopsis* was a catalyst, designed to start a conversation about whether Bermuda’s residents are receiving value for money. It also encouraged specialist physicians to continue to refer Bermuda’s residents to cost-effective facilities with good health outcomes. The *Synopsis* urged health professionals, policy makers and insurers to make the best decisions about treating and paying for our physical, mental and dental health.

Figure 7: Bermuda’s Expenditure on Overseas Healthcare for 2016/17
(For Locations with Expenditure Greater than \$100,000)

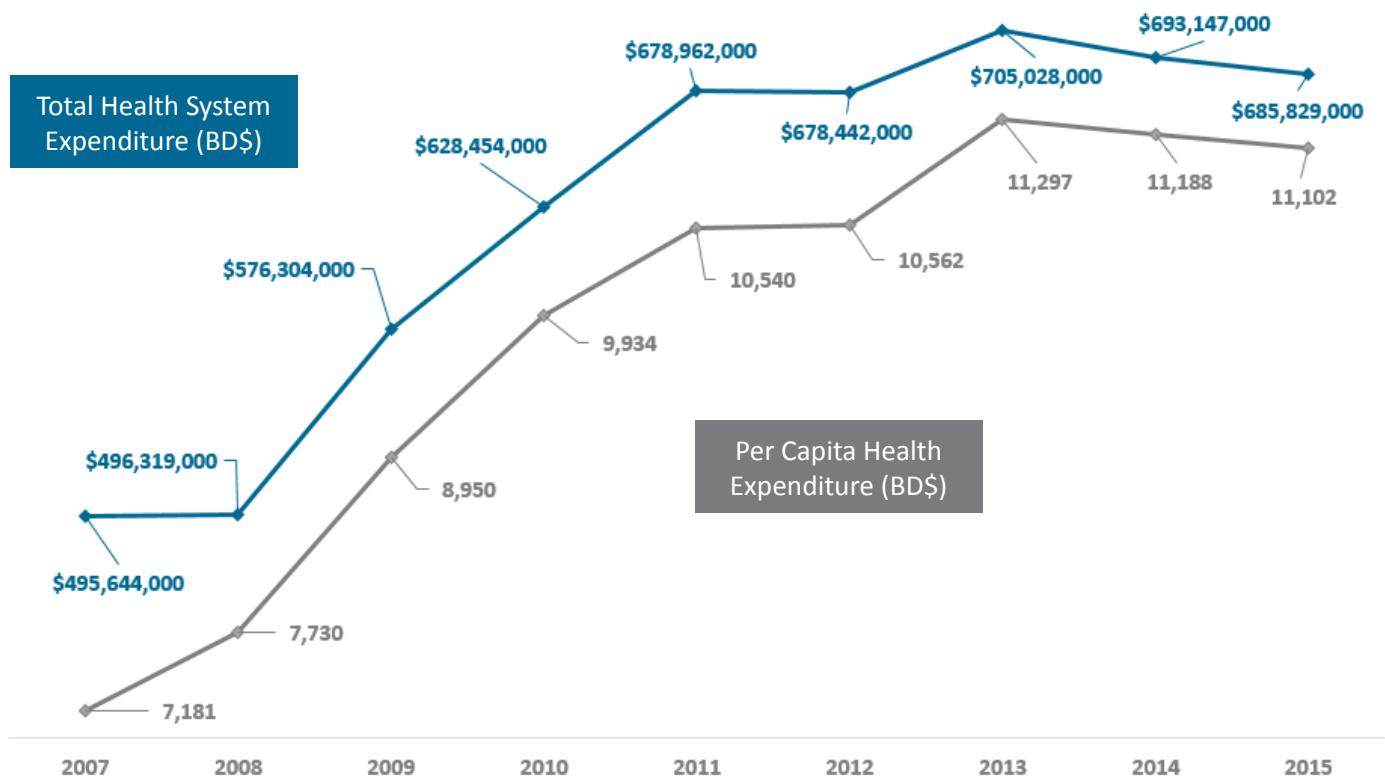


MANAGING HEALTH COSTS

The Health Council rigorously monitors health finance and expenditure, producing an annual *National Health Accounts Report (NHA)*. We use a standard framework for tracking resources, which also allows us to compare ourselves with OECD countries. We also monitor changes over time while exploring opportunities to improve the quality of health services and health outcomes.

For 2014/15¹, total health expenditure was \$685.8 million and per capita health expenditure was \$11,102. This represents a decrease from 2013/14 when total health expenditure was \$693 million and per capita health expenditure of \$11,188 (Figure 8). Despite the decrease, our per capita health expenditure is still nearly double the OECD average of \$6,915 (PPP² adjusted).

Figure 8: Total Health System Expenditure and Per Capita Health Expenditure



1. NHA is written for the previous fiscal year representing information received from 1st April 2014 to 31st March 2015.

2. PPP refers to Purchasing Power Parity. PPP adjustment is a technique to determine the relative value (purchasing power) of currencies.



ESTABLISHING COST-EFFECTIVE PRIMARY CARE PROGRAMMES

The Health Council worked with the Health Insurance Department (HID) to develop the Enhanced Care Pilot Programme. This programme delivers comprehensive care to individuals with chronic diseases who are uninsured or underinsured. It aims to help individuals better manage their disease in a private practice setting so they are less-likely to end up in the hospital. A Mutual Re-insurance Fund (MRF) transfer of \$6.19 was provided to HID to fund the programme (see Figure 6).

ACCOUNTABILITY

Sharing information to encourage public awareness

CULTIVATING CONVERSATIONS

The public plays a crucial role in determining what goes in (finance, services) and what comes out (expenditure, outcomes) of the health system. It is important that the public is informed about how much they are spending, the resources available, as well as, how individual actions and well-being impact the health system. This kind of dialogue is best achieved through public conversations.

This year, the Health Council engaged the public in conversations via town hall meetings, videos, social media, radio, email, television and print to ensure that we are encouraging all residents to be active participants within the health system.

SHARING INFORMATION AND LEARNING FROM ONE ANOTHER

Another first for this year, the Health Council introduced the *Health System Quarterly (Quarterly)*. Evolving from our quarterly *Newsletter*, the *Quarterly* features more thought-provoking articles about health regulation, innovation, data and research. In addition to featuring our commentary on relevant issues within the health system, the *Quarterly* also features local and overseas guest writers. The *Quarterly* is sent to approximately 800 stakeholders.

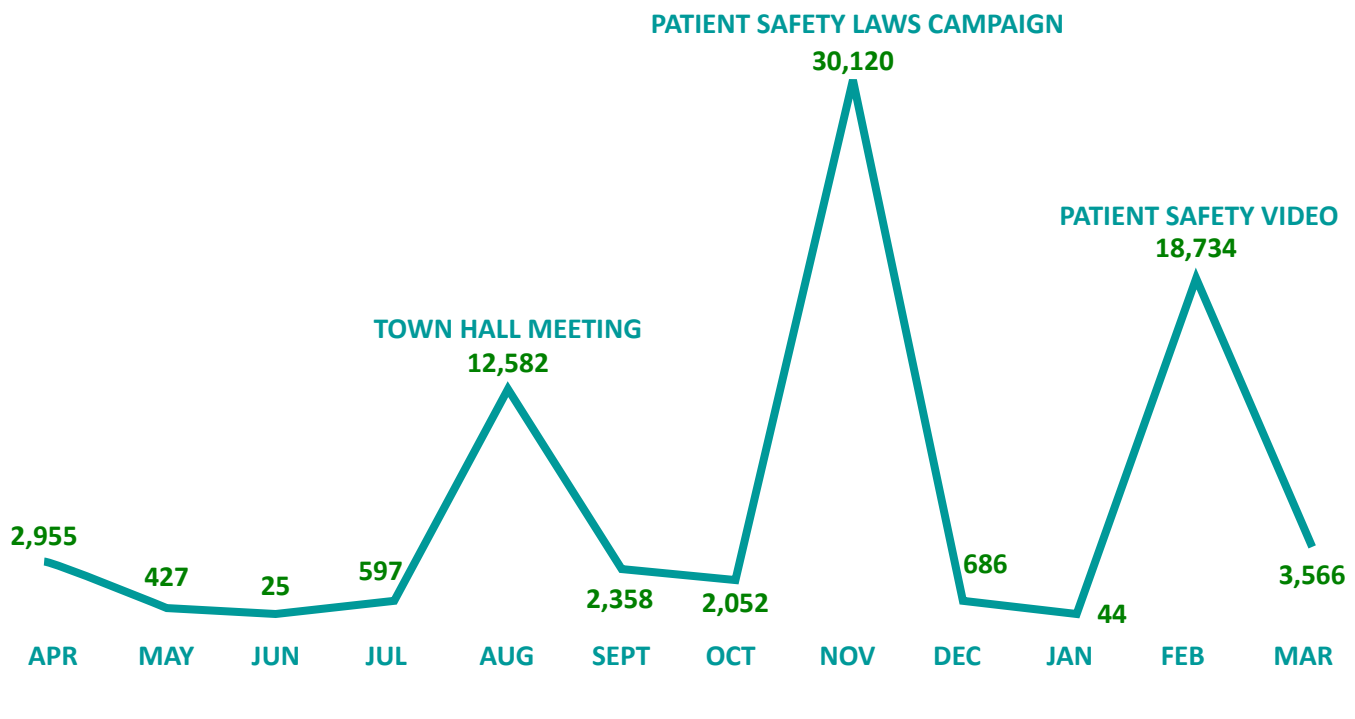
Due to our unique position in the health system, we have access to considerable amounts of data; we often receive requests for various analyses and information. This year, we received and formally answered 10 requests from external stakeholders.



ENCOURAGING ONLINE ENGAGEMENT WITH THE HEALTH SYSTEM

The importance and prevalence of digital media is undeniable and we believe it is necessary to harness social media and web technologies to help the public understand the significance of their contribution to the health system. We engaged three additional platforms, Twitter, Instagram and Mailchimp. Having an online presence allows us to better participate in and track conversations about healthcare. On Facebook, we amassed additional likes and significant peaks in reach during our patient safety campaign.

Figure 9: Facebook Reach for Fiscal Year Ending March 2017



KEEPING OUR FINGER ON THE PULSE

The Health Council is keen on monitoring its relationship with stakeholders. We use digital analytics tools, monitoring feedback through qualitative analysis. We continue to forge and maintain solid relationships meeting regularly with insurers and physicians, and are members of the hospital’s Ethics and Utilization Management Committees, Health Insurance Committee, Bermuda National Standards Committee and Bermuda College Nursing Programme Review Committee.

ENHANCING TRANSPARENCY

The Health Council continues to demonstrate its credibility and leadership by publishing reports which help to form the basis of conversations and policy direction, and provide stakeholders with quality, objective information about the ebb and flow of the health system. This year, we published *NHA, Actuarial Report, Overseas Care Synopsis, Statutory Board Self-Assessment Report* and *Employers’ Compliance Report*. The Health Council also prides itself on making these reports coherent and engaging, using infographics and visuals to illustrate the importance of health.

REGULATION

Patients have access to affordable, quality care

ENHANCING HEALTH INFRASTRUCTURE

For the first time, the Health Council facilitated discussions about patient safety in Bermuda by proposing amendments to Section 13 of the *Bermuda Health Council Act 2004*. These proposed changes are designed to protect the public from avoidable harms by enhancing oversight of health facilities. The proposed laws also encourage the delivery of quality health services in exceptional facilities, by trained health professionals, who use safe medical equipment to diagnose and treat health conditions.

There is limited regulation for health facilities in Bermuda, which may influence the quality, frequency, and appropriateness of services delivered. By working to align Bermuda's health system with international standards and practices for health facilities, residents can be assured that local health services are safe, credible and that the influence of financial interests is minimized.

PATIENT SAFETY

The proposed laws aim to enhance quality and keep us all S.A.F.E.

Self-referrals, you have the right to know

Active participation in keeping costs fair

Facilities maintaining first-rate care

Equipment that is safe



We support **S.A.F.E.** care! **Do you?**

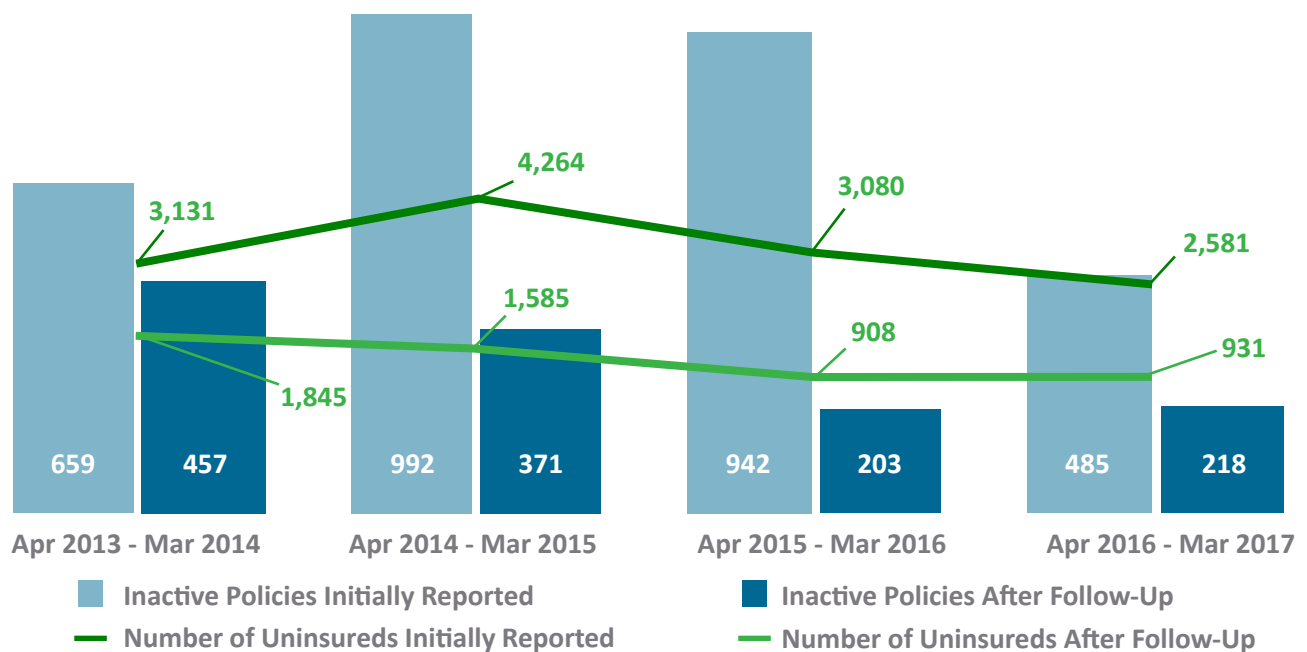


REQUIRING HEALTH INSURANCE COVERAGE

The Health Council monitors and enforces compliance with the *Health Insurance Act 1970 (the Act)*, protecting the rights of employees, ensuring that they have health insurance coverage. The Act requires employers to provide, at least, SHB for their employees and non-employed spouses. The Health Council routinely receives information from health insurance companies and the public, informing us of possible breaches of the Act.

Through consistent intervention and investigations, the Health Council has seen an overall decrease in the number of reported inactive health insurance policies and number of insureds affected (Figure 9).

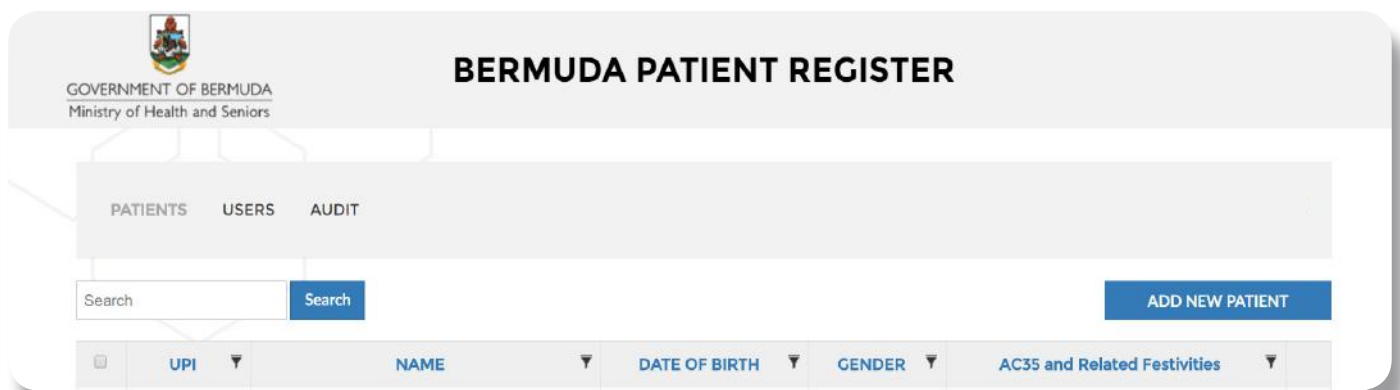
Figure 10: Health Insurance Policy Status Before and After Health Council Investigation



CONNECTING THE RIGHT PATIENT WITH THE RIGHT DATA

The Health Council embarked on an innovative journey in 2016/17 developing a Unique Patient Identifier (UPI) database, the foundation for electronic health records. The UPI is designed to alleviate information-flow problems as well as reduce duplication, administrative errors and the costs associated with those issues.

It is anticipated that after a period of piloting and testing, every resident will be given an alpha-numeric identifier. This identifier will carry patients' primary information such as their name, age, and contact information. This identifier will only be shared among health professionals and facilities, connecting the right patient with the right data and enhancing patient confidentiality. The Health Council collaborated with multiple stakeholders, including the Information Technology Office (ITO³), Government Department of Social Insurance, Bermuda Hospitals Board, health service providers and local insurers to develop this database.



LICENSING OF HEALTH INSURERS

We have an established licensing process for health insurers and approved schemes, requiring them to submit all claims data, financial statements and up-to-date licensure with the Bermuda Monetary Authority. These submissions help us to assess the companies' viability and also provides key information for assessing the needs of the health system. Every year we review and strengthen the licensing criteria, to ensure it aligns with our continued efforts toward a sustainable health system.

The following health insurers and schemes have been re-licensed or re-approved, in accordance with the Health Insurance Act 1970 and the Bermuda Health Council Act 2004, to undertake health insurance in Bermuda for the calendar year, 1st January 2017 to 31st December 2017.

Licensed health insurance companies:

- ❖ Bermuda Life Insurance Company Ltd (Argus)
- ❖ BF&M Life Insurance Company Ltd
- ❖ Colonial Medical Insurance Company Ltd
- ❖ Health Insurance Department (HIP and Future Care)

Approved employer-provided health insurance schemes:

- ❖ Bank of N T Butterfield & Son Ltd Health Insurance Scheme
- ❖ Government Employees Health Insurance Scheme (GEHI)
- ❖ HSBC Bank Bermuda Ltd Health Insurance Scheme

3. ITO was renamed Information and Digital Technology Department in April 2017.



AVOIDING CHARGING PATIENTS UP-FRONT AND PAYING PROVIDERS ON TIME

The enactment of the *Health Insurance (Health Service Providers and Insurers) (Claims) Regulations 2012 (the Regulations)* guaranteed that insured patients would not be required to pay up-front or out-of-pocket for the insured portion of their service. These Regulations also encourage health service providers to submit claims electronically which is more financially efficient and ensures timely reimbursement for the important and sometimes life-saving care they deliver.



The average reimbursement period for electronic claims is 9 days. Since tracking this information in 2014, we have seen a steady increase in providers submitting electronic claims.

Figure 11: Number of Providers Submitting Electronic Claims





EFFICIENT OPERATIONS

ACHIEVING VALUE

To help us achieve these priorities and fulfil our legal mandate of regulating, coordinating and enhancing the delivery of health services, we received a grant of \$799,615 from the Ministry of Health and Seniors and collected \$1.09 from every insurance premium via a MRF transfer.

Our skilled team and committed Board members were able to deliver on the priorities laid out in the 2016/17 Corporate Plan. In addition to executing our mandate in Bermuda, we also expanded our expertise to the USA, Costa Rica, Jamaica, Italy, Chile, Turks & Caicos and Trinidad & Tobago.

PRIORITISING EDUCATION

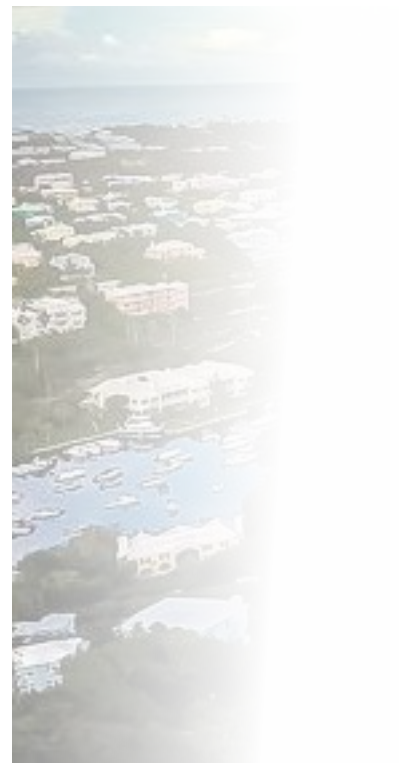
Education has always been a priority of the Health Council. We ensure that members of the Secretariat are adequately trained and maintain continuing education. This year, we spent over \$23,000 on local and overseas training, learning about and presenting on diverse topics such as chronic disease registries, health legislation, health financing, hospital care, substance abuse, mental health, long-term care and communications.

GROWING OUR TEAM

In 2016/17, the Health Council welcomed two new team members who will work to enhance communications and health regulation policy development.



Photograph by Bermuda Aerial Media



WHO WE ARE

The Health Council is comprised of a Board appointed annually by the Minister of Health and Seniors, and a Secretariat of seven employed staff. We have operated since 2006 focusing on monitoring all aspects of Bermuda's health system and enforcing compliance with legislative requirements.

Appointed Board members were:

- Mrs Simone Barton, Chairman
- Mrs Kirsten Beasley, Deputy Chairman
- Mr Richard Ambrosio
- Ms Alena Crockwell
- Dr Edgar Griffith
- Mrs Lorraine Lipschutz
- Dr Darrien Ray
- Dr. Fiona Ross
- Mr Andrew Simons
- Miss Alexis Swan
- Mrs Venetta Symonds

Ex-Officio Board members were:

- Dr Jennifer Attride-Stirling, Permanent Secretary for Health and Seniors
- Mr Anthony Manders, Financial Secretary
- Dr Cheryl Peek-Ball, Chief Medical Officer
- Mrs Tawanna Wedderburn, Health Council Chief Executive Officer





FINANCIAL STATEMENTS

as at March 31, 2017



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INDEPENDENT AUDITOR'S REPORT

To the Minister of Health and Seniors

I have audited the accompanying financial statements of the Bermuda Health Council, which comprise the statement of financial position as at March 31, 2017, and the statements of operations and accumulated surplus, change in net financial 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 public sector accounting standards 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 Health Council as at March 31, 2017, and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with public sector accounting standards generally accepted in Bermuda and Canada.



Hamilton, Bermuda
June 16, 2017

Heather Thomas, CPA, CFE, CGMA
Auditor General

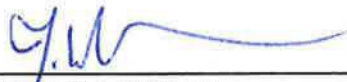
THE BERMUDA HEALTH COUNCIL
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2017

	2017	2016
	\$	\$
FINANCIAL ASSETS		
Cash and cash equivalents (note 4)	365,898	303,434
Due from the Mutual Re-insurance Fund (note 9)	162,776	141,660
Rent deposit	<u>30,460</u>	<u>30,460</u>
	<u>559,134</u>	<u>475,554</u>
LIABILITIES		
Accounts payable and accrued liabilities	66,781	43,643
Due to the Government of Bermuda (note 9)	32,297	19,533
Deferred revenue (note 9)	<u>3,000</u>	<u>-</u>
	<u>102,078</u>	<u>63,176</u>
NET FINANCIAL ASSETS	<u>457,056</u>	<u>412,378</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (note 5)	73,335	3,818
Prepaid expenses	<u>14,058</u>	<u>5,789</u>
	<u>87,393</u>	<u>9,607</u>
ACCUMULATED SURPLUS	<u>544,449</u>	<u>421,985</u>
CONTRACTUAL OBLIGATIONS (note 12)		

Approved by:



Chair, Audit & Governance Committee



Chief Executive Officer

The accompanying notes are an integral part of these financial statements

THE BERMUDA HEALTH COUNCIL
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED MARCH 31, 2017

	2017 \$ Budget (Note 11)	2017 \$ Actual	2016 \$ Actual
REVENUES			
Government of Bermuda grant (note 9)	799,615	799,615	842,700
Prescribed sum from the Mutual Re-insurance Fund (note 9)	586,450	623,355	523,693
Special grant (Note 9)	-	30,000	-
Donated services (note 9)	-	3,300	1,900
Other income	-	1,000	12,957
Interest	-	13	13
	<u>1,386,065</u>	<u>1,457,283</u>	<u>1,381,263</u>
EXPENSES			
General administration (note 7)	1,239,935	1,198,901	1,105,138
Professional services	119,200	113,420	82,533
Council meetings (note 13)	22,800	14,100	9,153
Amortization of tangible capital assets (note 5)	4,000	8,398	1,738
	<u>1,385,935</u>	<u>1,334,819</u>	<u>1,198,562</u>
ANNUAL SURPLUS	<u>130</u>	122,464	182,701
ACCUMULATED SURPLUS, BEGINNING OF YEAR		<u>421,985</u>	<u>239,284</u>
ACCUMULATED SURPLUS, END OF YEAR		<u>544,449</u>	<u>421,985</u>

The accompanying notes are an integral part of these financial statements

THE BERMUDA HEALTH COUNCIL
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED MARCH 31, 2017

	2017	2016
	\$	\$
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>412,378</u>	<u>231,044</u>
Annual surplus	122,464	182,701
Change in prepaid expenses	(8,269)	(3,105)
Acquisition of tangible capital assets (note 5)	(77,915)	-
Amortization of tangible capital assets (note 5)	<u>8,398</u>	<u>1,738</u>
Increase in net financial assets during the year	<u>44,678</u>	<u>181,334</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>457,056</u></u>	<u><u>412,378</u></u>

The accompanying notes are an integral part of these financial statements

**THE BERMUDA HEALTH COUNCIL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2017**

	2017	2016
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual surplus	122,464	182,701
Adjustment for items not affecting cash:		
Amortization of tangible capital assets	8,398	1,738
Changes in non-cash working capital	<u>9,517</u>	<u>(41,297)</u>
Net cash provided by operating activities	<u>140,379</u>	<u>143,142</u>
CASH FLOWS FROM CAPITAL ACTIVITY		
Acquisition of tangible capital assets	<u>(77,915)</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	62,464	143,142
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>303,434</u>	<u>160,292</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>365,898</u></u>	<u><u>303,434</u></u>

The accompanying notes are an integral part of these financial statements

THE BERMUDA HEALTH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

1. AUTHORITY

The Bermuda Health Council (the “Council”) was established under the Bermuda Health Council Act 2004, which gained assent on July 20, 2004. The primary functions of the Council are to regulate, coordinate and enhance the delivery of health services in Bermuda.

2. SIGNIFICANT ACCOUNTING POLICIES

Pursuant to standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, the Council is classified as an other government organization. These financial statements are prepared in accordance with public sector accounting standards generally accepted in Bermuda and Canada and the accounting policies considered particularly significant are as follows:

a) Cash and cash equivalents

Cash and cash equivalents include all cash held with financial institutions that can be withdrawn without prior notice or penalty, and time deposits with an original maturity of 90 days or less.

b) Tangible capital assets and amortization

Tangible capital assets are stated at cost less accumulated amortization. Capital assets are classified according to their functional use. Amortization is recorded on a straight-line basis over their estimated useful lives as follows:

Computer software	- 3 years
Computer and telecommunications equipment	- 3 years
Furniture and fixtures	- 5 years
Leasehold improvements	- lesser of 10 years or term of lease

Tangible capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the asset no longer contributes to the Council’s ability to provide goods and services, or the value of future economic benefits associated with the capital asset is less than its net book value. In either case, the cost of the tangible capital asset is reduced to reflect the decline in the asset’s value.

c) Revenue recognition

Government of Bermuda grants are operating grants received and receivable for use in the day-to-day operations of the Council and are recognized as revenue on the statement of operations and accumulated surplus in the year to which they relate.

THE BERMUDA HEALTH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Revenue recognition (continued)

The prescribed sum from the Mutual Re-insurance Fund pertains to the transfer received from the Mutual Re-insurance Fund based on the contributions from the Standard Premium Rate. This amount which is recognized as revenue on the statement of operations and accumulated surplus is based on actual remittances from the insurance companies and an estimate relating to the expected premiums for the months where remittances have not been received. The estimate is determined by management using information available from the Health Insurance Department.

Interest and other income are recognized on the accrual basis.

d) Donated services

For donated services where, in the opinion of the Council, an estimate of the fair value of such services can be made, the Council records a value based on the costs associated with obtaining the equivalent service on the open market. The amount is included within expenses and a corresponding amount is included in revenues as donated services.

For donated services where, in the opinion of the Council an estimate of fair value of such services cannot be reasonably made, no amount is recorded.

e) Government transfers

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations and accumulated surplus as the stipulation liabilities are met.

f) Translation of foreign currencies

Assets and liabilities in foreign currencies are translated to Bermuda dollars at rates of exchange in effect at the statement of financial position date.

Revenues and expenses are translated at the exchange rate in effect at the transaction date.

THE BERMUDA HEALTH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Measurement uncertainty

These financial statements are prepared in accordance with public sector accounting standards generally accepted in Bermuda and Canada. These standards require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant areas requiring the use of estimates include the estimated useful lives of capital assets and accruals. Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from these estimates.

3. ECONOMIC DEPENDENCE

The Council is economically dependent upon the financial assistance provided by the Government of Bermuda (the “Government”) and the prescribed sum from the Mutual Re-insurance Fund to fund its daily operations, cash flow, capital development and capital acquisitions.

4. CASH AND CASH EQUIVALENTS

Maturities and effective yields to cash and cash equivalents are as follows:

	2017	Effective	2016	Effective
	\$	Yield	\$	Yield
		%		%
Cash at bank	232,999	-	170,453	-
Call deposit	132,899	0.01	132,981	0.01
	<u>365,898</u>		<u>303,434</u>	

THE BERMUDA HEALTH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

5. TANGIBLE CAPITAL ASSETS

	2017				Total
	Furniture & Fixtures	Computer & Tele-communications Equipment	Leasehold Improvements	Computer Software (Note 9)	
	\$	\$	\$	\$	\$
Opening cost	103,798	55,943	29,477	-	189,218
Additions	-	7,860	40,055	30,000	77,915
Closing cost	103,798	63,803	69,532	30,000	267,133
Opening accumulated amortization	101,511	54,412	29,477	-	185,400
Amortization	816	2,575	5,007	-	8,398
Closing accumulated amortization	102,327	56,987	34,484	-	193,798
Net book value of tangible capital assets	1,471	6,816	35,048	30,000	73,335

	2016				Total
	Furniture & Fixtures	Computer & Tele-communications Equipment	Leasehold Improvements		
	\$	\$	\$		\$
Opening cost	103,798	55,943	29,477		189,218
Additions	-	-	-		-
Closing cost	103,798	55,943	29,477		189,218
Opening accumulated amortization	100,877	53,308	29,477		183,662
Amortization	634	1,104	-		1,738
Closing accumulated amortization	101,511	54,412	29,477		185,400
Net book value of tangible capital assets	2,287	1,531	-		3,818

THE BERMUDA HEALTH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

6. FINANCIAL INSTRUMENTS

The Council's financial instruments consist of cash and cash equivalents, due from the Mutual Re-insurance Fund, accounts payable and accrued liabilities, and due to the Government of Bermuda. These financial instruments are measured at cost or amortized cost.

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

It is management's opinion that the Council is not exposed to significant interest rate, currency or credit risks arising from these financial instruments.

The carrying value of these financial instruments approximates their fair value due to their relative short-term nature.

7. GENERAL ADMINISTRATION

	2017 \$ Budget (Note 11)	2017 \$ Actual	2016 \$ Actual
Salaries and employee benefits	929,985	923,193	829,386
Rent	155,570	122,724	145,726
Marketing	22,300	47,821	13,971
Training and workshops	33,700	23,859	42,627
Repairs and maintenance	17,358	22,631	18,161
Office supplies	13,140	13,114	10,989
Telecommunications	15,500	12,062	11,647
Land and corporation taxes	8,407	10,974	9,322
Electricity	10,683	7,928	8,168
Insurance	2,042	3,955	1,692
General and miscellaneous	6,818	3,061	3,600
Entertainment	1,300	3,036	1,712
Subscriptions and memberships	2,900	1,211	2,561
Research and development	5,000	1,000	3,064
Network and infrastructure	1,000	798	348
Bank charges	4,000	658	1,191
Printing	10,000	616	425
Postage and courier	232	260	548
	<u>1,239,935</u>	<u>1,198,901</u>	<u>1,105,138</u>

THE BERMUDA HEALTH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

8. FINANCIAL RISK MANAGEMENT

The Council is exposed to various risks through its financial instruments. The Council members have overall responsibility for the establishment and oversight of its risk management framework. The Council manages its risks and risk exposures through sound business practices. The following analysis provides a measure of the risks at the reporting date, March 31, 2017.

(a) Credit Risk

Credit risk arises from cash held with banks and other receivables. The maximum exposure to credit risk is equal to the carrying value of these financial assets. The objective of managing counterparty credit risk is to prevent losses on financial assets. The Council determines, on a continuous basis, amounts receivable on the basis of amounts it is virtually certain to receive based on their estimated realizable value. It is management's opinion that the Council is not exposed to significant credit risk.

The amount outstanding at year-end related to the due from Mutual Re-insurance Fund account is current

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

(b) Liquidity Risk

Liquidity risk is the risk the Council will not be able to meet its financial obligations as they fall due. The Council'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 Council's reputation. The Council manages exposure to liquidity risk by closely monitoring supplier and other liabilities, focusing on generating positive cash flows from operations and establishing and maintaining good relationships with various financial institutions.

The expected cash flows of financial liabilities for accounts payable and accrued liabilities and due to the Government of Bermuda are current.

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

(c) Market Risk

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

THE BERMUDA HEALTH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

8. FINANCIAL RISK MANAGEMENT (continued)

(c) Market Risk (continued)

(i) Foreign exchange risk

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

(ii) Interest rate risk

The Council is exposed to changes in interest rates, which may impact interest revenue on cash deposits.

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

9. RELATED PARTY TRANSACTIONS

The Council is related to all Government agencies, departments, ministries, funds and quasi-autonomous non-governmental organizations under the common control of the Government. Also, the Council is related to organizations that the Government jointly controls or significantly influences.

The Council enters into transactions with these entities in the normal course of business and such transactions are measured at the exchange amount which is the amount of consideration established and agreed by the related parties. The Council had the following transactions with the Government:

a) Revenues and receivables

The Government provided the Council with a grant of \$799,615 during the year (2016 - \$842,700) to cover the operations of the Council.

In accordance with the Health Insurance (Mutual Re-insurance Fund) (Prescribed Sum) Order 2014, the Council received a prescribed sum from the Mutual Re-insurance Fund. The amount recognized as revenue was \$623,355 (2016 - \$523,693) and the amount accrued at year-end was \$162,776 (2016 - \$141,660).

In March 2016, the Health Insurance (Mutual Re-insurance Fund) (Prescribed Sum) Order 2014 was amended to increase the prescribed sum from the Mutual Re-insurance Fund from \$1.00 per month to \$1.09 per month effective April 1, 2016.

THE BERMUDA HEALTH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

9. RELATED PARTY TRANSACTIONS (continued)

b) Expenses and payables

The Council entered into the following transactions with the Government:

	Transactions for the year		Due at year-end	
	2017	2016	2017	2016
	\$	\$	\$	\$
Superannuation	64,625	69,927	9,824	9,708
Health Insurance	52,595	54,226	7,560	8,158
Social Insurance	14,196	14,624	3,861	1,667
Payroll Tax	3,242	11,119	11,052	-
	<u>134,658</u>	<u>149,896</u>	<u>32,297</u>	<u>19,533</u>

The amount due to the Government of Bermuda represents year-end accruals.

c) Donated services

Three council members (2016 – four) declined the fees (\$50 per meeting) for attendance at meetings resulting in donated services of \$3,300 (2016 - \$1,900).

d) Special grant

In March 2017, the Council received a special grant of \$33,000 (2016 - nil) from the Ministry of Health and Seniors restricted for the purchase and development of a Unique Patient Identifier (UPI) database. On March 21, 2017, the Council spent \$30,000 to purchase the UPI database. The cost of the database was recorded as computer software under tangible capital assets and the remaining \$3,000 was recorded as deferred revenue to be used in the future development of the UPI database.

There was no amortization recognized in the statement of operations and accumulated surplus as the UPI database was still in the development phase.

THE BERMUDA HEALTH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

10. EMPLOYEE BENEFITS

a) Pension plan

The Council's employees are enrolled in the Public Service Superannuation Fund (the "Fund"), which is a defined benefit plan administered by the Government. Contributions to the Fund are 8% of gross salary and are matched equally by the Council.

The Council is not required under present legislation to make contributions with respect to actuarial deficiencies of the Fund. As a result, the current year contributions to the Fund represent the total liability of the Council.

The Council's contributions to the Fund totalled \$64,625 (2016 - \$69,927).

b) Compensated absences

Compensated absences include maternity leave, paternity leave, sick leave and vacation days.

Maternity and paternity leave does not accumulate or vest and therefore an expense and liability is only recognized when extended leave is applied for and approved. Maternity benefits to employees for the current year amounted to \$nil (2016 - \$17,533). There were no paternity leave benefits applied for or approved during the current period and therefore, no liability has been accrued in the accounts.

Sick leave does not accumulate or vest, and like maternity and paternity leave, a liability is recorded only when extended leave is applied for and approved. Extended sick leave was not applied for or approved during the current year and therefore, a liability has not been accrued in the accounts.

Vacation days accumulate and vest and therefore a liability has been accrued at year end. The accrued vacation liability as of March 31, 2017 is \$25,307 (2016 - \$15,426) and is included in accounts payable and accrued liabilities.

11. BUDGET

The amounts represent the operating budget which was approved by the Council on February 4, 2016.

THE BERMUDA HEALTH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

12. CONTRACTUAL OBLIGATIONS

The Council has a lease agreement for its office premises which expires on March 26, 2020. The remaining obligation under this lease is \$368,170 (2016 - \$490,893).

On June 2015, the Council entered into an actuarial services contract to obtain an actuarial review of the Standard Premium Rate. The remaining obligation under this contract is \$35,000 (2016 - \$70,000).

13. COUNCIL MEETINGS

The Council members are appointed by the Minister of Health and Seniors to serve for fixed periods of time.

Council members and the Chair are paid a fee of \$50 and \$100 per meeting, respectively, for attendance of the Council meetings.

14. COMPARATIVE FIGURES

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

15. SUBSEQUENT EVENT

Commencing on June 1, 2017, the Health (Miscellaneous) Amendment Act 2017 provides for the Minister to consult with the Council before approving hospital fees in respect of the Standard Health Benefit. The ability of the Council to provide advice to the Minister does not have financial implications for the Council. The Health (Miscellaneous) Amendment Act 2017 also amends the Bermuda Health Council Act 2004 to clarify that any fees set by the Council are in respect of the Standard Health Benefit only.