Bermuda Health Council

BHeC

2012 - 2013

# Annual Report

*Quality | Sustainability | Equity | Accountability*

# The 2012-2013 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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# Contents

Government of Bermuda
Ministry of Health and Seniors
OFFICE OF THE MINISTER

**Message from the Minister of Health and Seniors**

As Bermuda's Minister of Health and Seniors I am pleased to offer this brief message for inclusion in the 2012/13 Bermuda Health Council Annual Report. Once again, the Council has worked closely and commendably with the Ministry this year on many initiatives and reforms vital to the future of Bermuda.

I wish to commend them, in particular, for their assistance with the implementation and enforcement of the Health Insurance (Health Service Providers and Insurers) (Claims) Regulations 2012 which abolished upfront charges and mandated prompt reimbursement of electronic claims. The issue has been a concern for the Ministry of Health & Seniors for some time as previously some insured persons would avoid seeking care due to family cash flow problems if they had to pay for healthcare "upfront," so I am extremely pleased that this is no longer the reality.

Throughout 2012 the Council has published vital reports in order to monitor health system performance, such as the National Health Accounts 2012 and the Health Disparities Report 2013. This is the third National Health Accounts report produced by the Council and provides highly useful information for the Ministry regarding health system costs for the fiscal year ending 31st March 2011. The Health Disparities Report 2013, meanwhile, presents data on inequalities in Bermuda and supplies much-needed information about gaps in health outcomes and access due to social disparities in order to provide context and data to guide policy decisions about healthcare services.

The Health Council should also be commended for its work so far in developing Standards of Practice for physicians with the Medical Council, and also for coordinating cost containment measures and public education on healthcare costs. One item which they have facilitated in order to contain health costs is to develop, in consultation with BHB, insurers, physicians and stakeholders, a Home Medical Services benefit as per the Health Insurance (Standard Hospital Benefit) Regulations 1971. This benefit, which will allow insured patients to be discharged from the hospital and receive care at home, will be covered by insurance when referred by their physician and is an extremely positive move for Bermudians.

The Council also conducted an Actuarial Review during this fiscal year to recommend the Standard Premium Rate based on the statistical and claims information submitted by the insurance companies and approved schemes.

Lastly, I wish to thank them for continuing to provide essential technical advice on a range of issues to the Ministry of Health and Seniors.

I would like to take this opportunity to express my sincere thanks to every member of the Bermuda Health Council for their hard work and for their support in maintaining the Council's outstanding reputation as the leading voice on Bermuda's healthcare system.

**The Hon. Patricia Gordon-Pamplin JP MP**

# Chairman's Message

*"The new Board is determined to make a difference in the quality and sustainability of the Island's healthcare..."*

Jeanne Atherden, CA JP MP
Chairman

I am pleased to present the 2012/13 Annual Report for the Bermuda Health Council having been appointed chairman in February 2013. The Bermuda Health Council's mission is to "regulate, coordinate and enhance the provision of health services in Bermuda" and the Annual Report provides evidence of the Health Council's commitment to ensuring Bermuda achieves a quality and sustainable health system.

Delivering on its mission, during the last fiscal year the Council focused on four core areas: regulation, coordination, provision and monitoring.

Specifically, the Council improved regulation of the health system through introduction of legislation to abolish upfront charges, and increased enforcement of compliance with the Health Insurance Act 1970 by various stakeholders. Health system coordination was enhanced through identification of ways to reverse problematic utilization trends in order to ensure more effective use of services that will result in cost-efficiencies. Standards of Practice have begun to be developed for various professions, to improve the quality of healthcare provision locally. In addition, the Council monitored health system performance on key metrics regarding health spending and access to care to ensure policy decisions can be based on evidence and facts, rather than perceptions and biases.

The next year presents great challenges and opportunities for the Health Council and the Island as a whole, as we come to terms with a health system that continues to increase in costs and burden to individuals, families, employers and the Government. This is the time to rethink the way we use health services and put in place measures that will ensure the sustainability of our health system.

The new Board is determined to make a difference in the quality and sustainability of the Island's healthcare and with the support of all stakeholders we look forward to a productive year ahead.

Jeanne Atherden, CA JP MP
Chairman

# CEO's Message

*"Our role as mediators, investigators and solution brokers is what corrects health system gaps affecting individuals today."*

Jennifer Attride-Stirling, PhD
Chief Executive Officer

This was an exciting and eventful year for the Bermuda Health Council. Building on our high level of engagement with health system stakeholders, a great deal was accomplished, and we are proud to present this report showcasing the fruits of an ambitious year for both the Board and the Secretariat.

The years' accomplishments range from the publication of major reports to improvements in operational processes. But while innovations such as publishing the seminal Health Disparities Report and identifying cost containment measures inevitably steal the headlines, we must not forget the significance of the day to day.

In fact, the most tangible difference the Health Council makes is in the assistance we provide directly to patients and other stakeholders. Our role as mediators, investigators and solution brokers is what corrects health system gaps affecting individuals today. We take great pride in our accomplishments in this area. Likewise, our role in disseminating information through newsletters, presentations, training, consultations and discussion forums provides a significant contribution to coordinating our health system.

Nevertheless, the findings of our reports have to be highlighted. In particular, the Health Disparities Report was produced to gain understanding of how healthcare and outcomes are distributed in our population, and a great deal about health inequalities in Bermuda was learned. The finding that income and education are more strongly associated with health inequalities than other demographic characteristics, is a significant message that we hope will help to inform future policy decisions within our health system.

Lastly, I have to extend my thanks to the dedicated professionals of the Secretariat, and to the outgoing Board which worked lengthy hours with unwavering commitment, vision and dedication. It is a privilege to have been a part of such a team. The incoming Board brings fresh ideas and direction, paving the way for a stimulating period in Bermuda's health system.

Jennifer Attride-Stirling, PhD
Chief Executive Officer

# Mission, Vision, Strategic Goals

## *Mission*

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

## *Vision*

Achieving a quality, equitable and sustainable health system

## *Overview*

The Bermuda Health Council's (BHeC) vision is "achieving a quality, equitable and sustainable health system". To accomplish this vision, BHeC's Corporate Plan 2012-13 focused on four strategic goals – quality, sustainability, equity and accountability. Our accomplishments for fiscal year 2012-2013 are contained in this Annual Report.

## *Delivering on our Strategic Goals*

***Quality*** - To assure quality and patient safety through appropriate regulation of health service providers, insurers, professionals and technology

***Sustainability*** - To assure affordability and financial sustainability of the health system

***Equity*** - To assure equitable access to essential healthcare for all residents

***Accountability*** - To assure transparency and impartiality across the health system

# Quality

*To assure quality and patient safety through appropriate regulation of health service providers, insurers, professionals and technology*

## Abolishing Upfront Payments

The Health Insurance (Health Service Providers and Insurers) (Claims) Regulations 2012 came into effect on 1st August 2012. The regulations were established to ensure that the insured portion of a healthcare bill is not charged directly to insured patients at the time of the visit. Instead, the health service provider must submit the claim to the insurer and the insurer is required to pay electronic claims within 30 days.

To ensure effective implementation of the Regulations, BHeC conducted extensive consultation and training for health service providers and insurers. With the assistance of BF&M Insurance Ltd. workshops were run for healthcare professionals on claims processes and electronic submissions. BHeC also collaborated with insurers to ensure they could comply with the Regulations' requirements on claims processing and patients' level of coverage.

BHeC produced a number of publications to help with the transition. These included a *Claims Regulations - Patients Need to Know, A Guide to Health Insurance Claims Regulations, Frequently Asked Questions, and a Legislation In Brief*.

Upon enactment of the Regulations, BHeC began enforcing compliance by insurers and health service providers. This includes granting exemptions from the Regulations, where appropriate; and imposing penalties on non-compliant parties.

At the end of the fiscal year, 14 health service providers had been granted permission to charge the insured patient the insured portion at the time of the visit for a period of time. The list of providers can be found on our website: www.bhec.bm.

Overall the response to the legislation has been positive and the public's access to healthcare has improved. A survey completed in December 2012

found that patients avoiding treatment or a medical visit because of upfront payments had reduced from 14% in March 2012 to 6% in December 2012.

## Standards of Practice

This year the Council placed a greater focus on healthcare quality. To this end BHeC collaborated with the Bermuda Medical Council to assist in the development of Standards of Practice for the Island's medical practitioners. These Standards are based on those from Australia, United Kingdom, Canada and the United States. BHeC has also initiated the process with other health professionals.

Introducing Standards of Practice has been widely embraced by medical practitioners. The Standards, which will be completed in 2013, outline medical practice guidelines for areas such as clinical quality, ethics, fees, relationships with patients and working with colleagues.

## Access to Care

BHeC monitors employers' compliance with the Health Insurance Act 1970. The Act requires that employers provide health insurance coverage for at least the Standard Hospital Benefit to their employees and their non-employed spouses. In 2012-13 BHeC conducted an extensive review of the monitoring process with the assistance of the Department of Prosecution and the Department of Social Insurance. Upcoming procedural improvements will ensure Bermuda's employees and their non-employed spouses receive the health insurance coverage to which they are entitled.

## Medical Equipment

This year BHeC collaborated with the Attorney General's office and the Ministry of Health and Seniors to develop legislation to regulate the entry of high-risk medical equipment into Bermuda. A Health Technology Review (HTR) process was developed to consider the effectiveness, appropriateness and cost of some health technologies before allowing their importation. This systematic process will assist with cost containment and health service planning.

The equipment that will be monitored includes: CT Scans, MRI machines, diagnostic imaging machines and ultrasound equipment. BHeC also developed the application procedures for the HTR in preparation of the legislation.

**Percentage of patients avoiding treatment or medical visit because of upfront payments in 2012**

# Sustainability

*To assure affordability and financial sustainability of the health system*

## Licensing

This year BHeC licensed insurers and approved schemes under the new financial reporting regime of the Health Insurance Amendment Act 2012. The Act, passed in March 2012, increased the financial reporting requirements for annual re-licensing, changed the licensing timeline to align with the returns to the Bermuda Monetary Authority, and increased the annual licensing and penalties fees.

The new regulations enabled BHeC to improve data collection and the relicensing process. The data collected will continue to enhance our understanding of utilization and the cost of Bermuda's health system. Analysis of this data will also assist BHeC with aligning Bermuda's National Health Accounts with the standards of the Organization for Economic Co-operation and Development (OECD).

## Cost Containment

BHeC worked actively to contain costs by introducing a new benefit to be included in the SHB - Home Medical Services (HMS). These services will assist patients who may be discharged from the hospital but still require some specialized medical care in their home. Recognizing that prolonged stays in a hospital environment are not only expensive, but unsafe for a patient who can be discharged, the HMS will allow insured patients to return home and receive treatments such as wound care and pain management as part of their basic insurance coverage.

With new technologies and services, an ageing population and consumption-driven patients' expectations, controlling utilization and balancing costs is exceptionally difficult; however, BHeC remains committed to cost containment and will continue to seek ways to curtail unnecessary use of healthcare services.

## National Health Plan

Throughout 2012 BHeC was involved in developments under the National Health Plan (NHP) through membership on the NHP's Steering Committee and its six task groups: Benefit Design, Financing & Reimbursement, Long Term Care, Health IT, Overseas Care and Prevention. BHeC was also asked to lead the task groups on Benefit Design and Health Financing & Reimbursement.

The Benefit Design Task group developed three policy options to enhance the current minimum health insurance package (the Standard Hospital Benefit)- to ensure essential healthcare is covered.

The Health Financing & Reimbursement Task Group produced a report on health system financing options. The report contained analysis of the benefit packages proposed, 40-year health system projections, and possible options to restructure the system's financing to enable realization of the NHP goals.

Both reports were submitted to the Ministry of Health & Seniors, which is holding the National Health Plan in abeyance while examining the sustainability of the recommendations made.

## Premiums and Fees

Every year BHeC conducts and publishes the actuarial review of the Standard Premium Rate (SPR), which reviews premiums for the Mutual Reinsurance Fund (MRF) and the Standard Hospital Benefit (SHB). The annual review is based on data received from all private and public health insurers and it sets the price (the SPR) of the minimum mandated package of insurance.

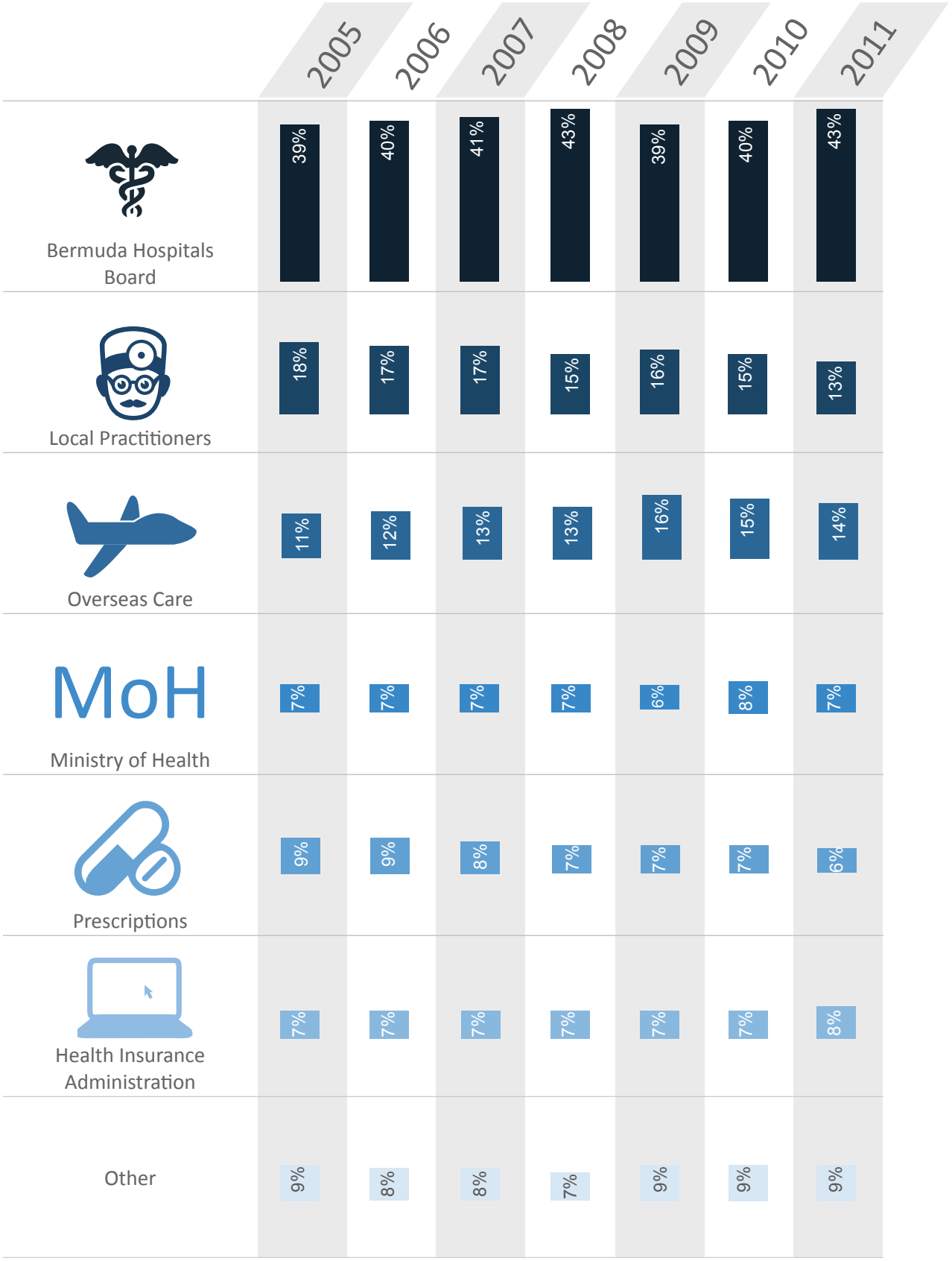
In addition to setting the SPR, the actuarial review enables BHeC to monitor utilization trends. The report demonstrates the annual increases in the use of local and overseas hospital services, which are the main driver of premium increases. Annual revisions to the SPR and covered benefits are conducted with great care to reduce the impact of premiums on the public and employers.

BHeC also sets the Diagnostic Imaging Fee Schedule annually, which regulates the rates charged for certain imaging tests performed at approved diagnostic imaging facilities. Published in March 2013, *The Diagnostic Imaging Fee Schedule 2013/14* was upgraded to list codes, procedures and fees for all approved services, including CT and MRI. To ensure public access to information about fees, BHeC publishes the Diagnostic Fee Schedule, the Bermuda Hospital Fees Regulations, and the Bermuda Hospital Board (Medical and Dental Charges) Order on our website: www.bhec.bm.

## Monitoring Health Costs

Ensuring Bermuda's health system is sustainable requires an understanding of its costs and who is paying for it. In order to monitor and help improve our health systems' financial sustainability, BHeC produces Bermuda's National Health Accounts annually. The third National Health Accounts report was released in June 2012, detailing the health system's financing and expenditure. See Figure 1 for the distribution of health expenditure in Bermuda between 2005 and 2011. The report is used widely by healthcare stakeholders locally and overseas.

**Figure 1 -** Distribution of Health Spending from 2005 -2011




SOURCE: National Health Accounts Report 2012
The year stated refers to the Fiscal Year ending March; e.g. 2011 refers to the period April 2010 to March 2011

# Equity

*To assure equitable access to essential healthcare for all residents*

## Health Disparities

Bermuda's first-ever *Health Disparities Report* was published in March 2013.

This seminal report provides an unprecedented look at inequalities on the Island in four areas: health outcomes, access to healthcare, health-related behaviours, and health expenditure. Each area was then analysed by demographic groups such as age, gender, race, marital status, household income, education and employment status.

In terms of health outcomes the report found that persons of lower education and income had poorer physical and mental health, lower life satisfaction, less social support and more incidents of chronic diseases, disability and obesity (see Figure 2).

While access to care, the report showed, was governed by a person's insurance, whether they are employed and their level of income (see Figure 3).

Income levels appeared to align closer to specific health-related behaviours. Residents with a higher income and education smoke less, eat better and are less likely to engage in behaviour that would put them at risk for HIV. However, the same group is more likely to binge-drink and those with higher education are more like to drive drunk (see Figure 4).

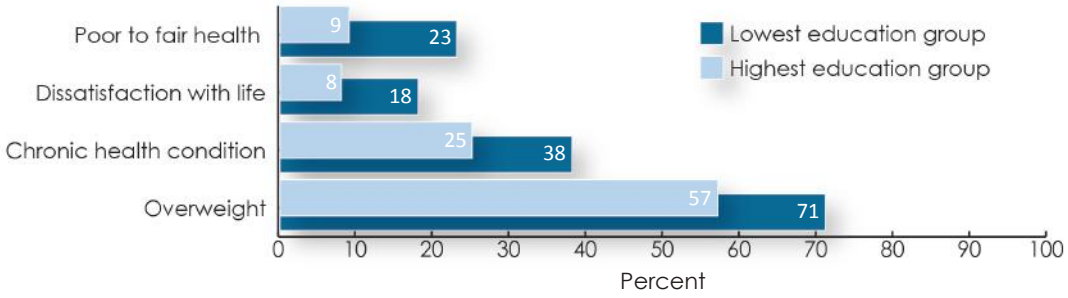
The last area the report investigated was that of health spending. It found that households with a lower income were more likely to be uninsured, have poorer health and spend less on healthcare in terms of dollar amounts, but a higher share of their income on health (see Figure 5).

## Responsive

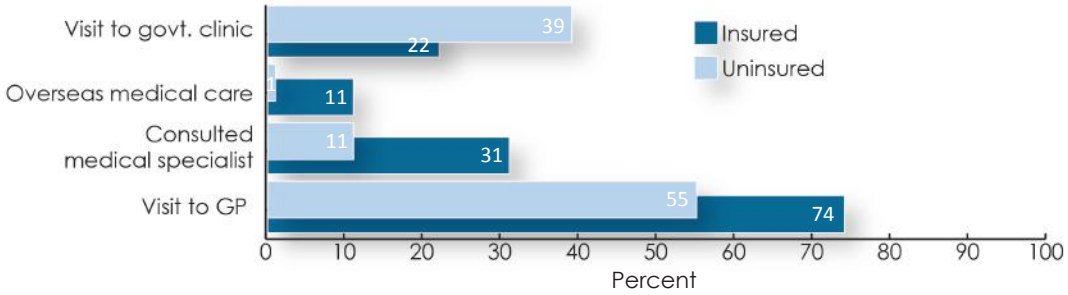
Complaints and queries about Bermuda's health system, received from the public and other health system stakeholders, provide BHeC the opportunity to respond to concerns and receive feedback on systemic problems in healthcare delivery. This year saw an increase from 2011/12 of both queries (140 to 192) and complaints (14 to 28) received by BHeC.

The majority of queries (20%) and complaints (43%) were about Costs/Fees/Billing as indicated in Figure 6 and Figure 7 respectively.

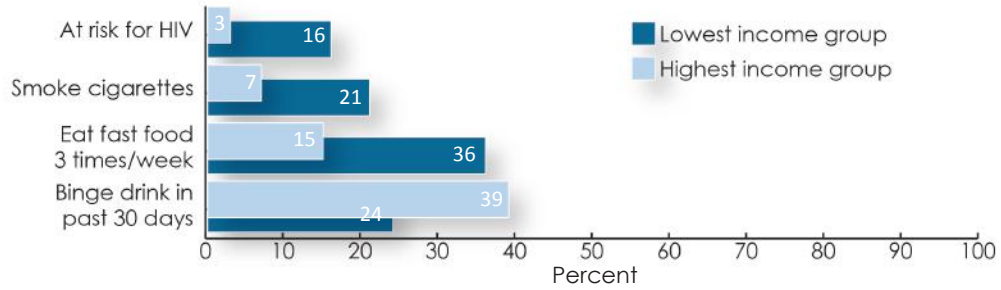
## **Figure 2** – Health Outcomes



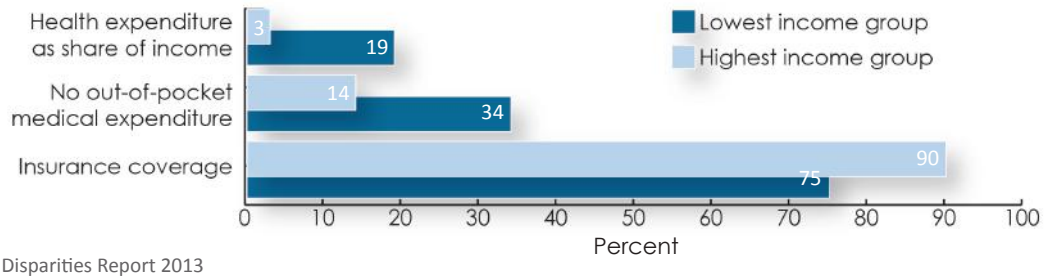

## **Figure 3** – Access to Healthcare




## **Figure 4** – Health-related Behaviours

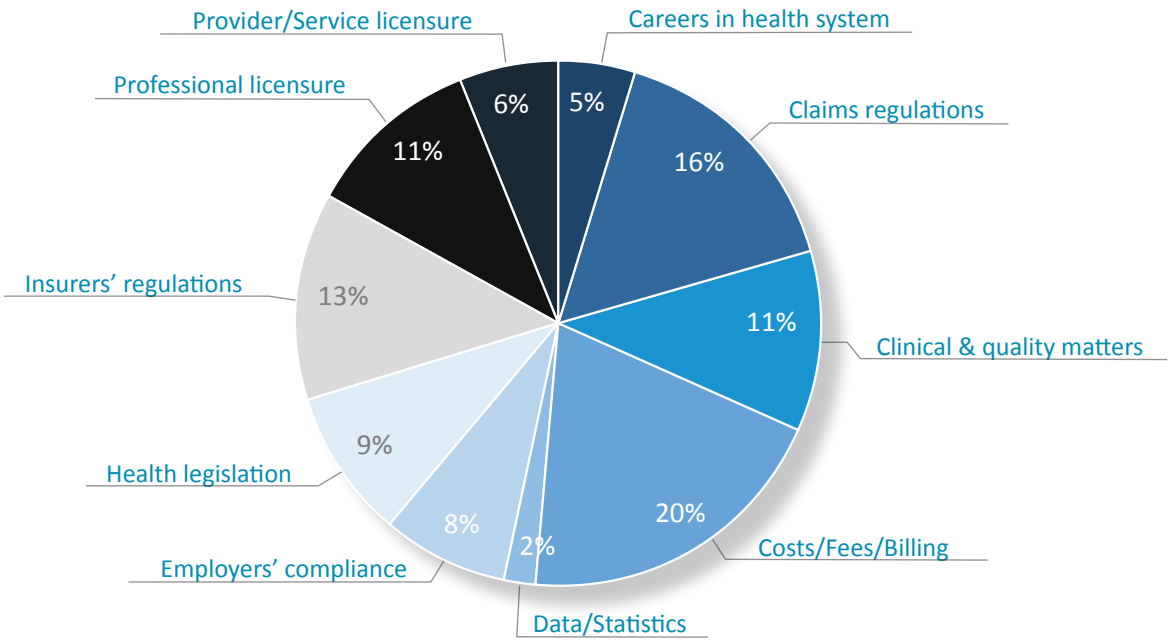



## **Figure 5** – Health Spending

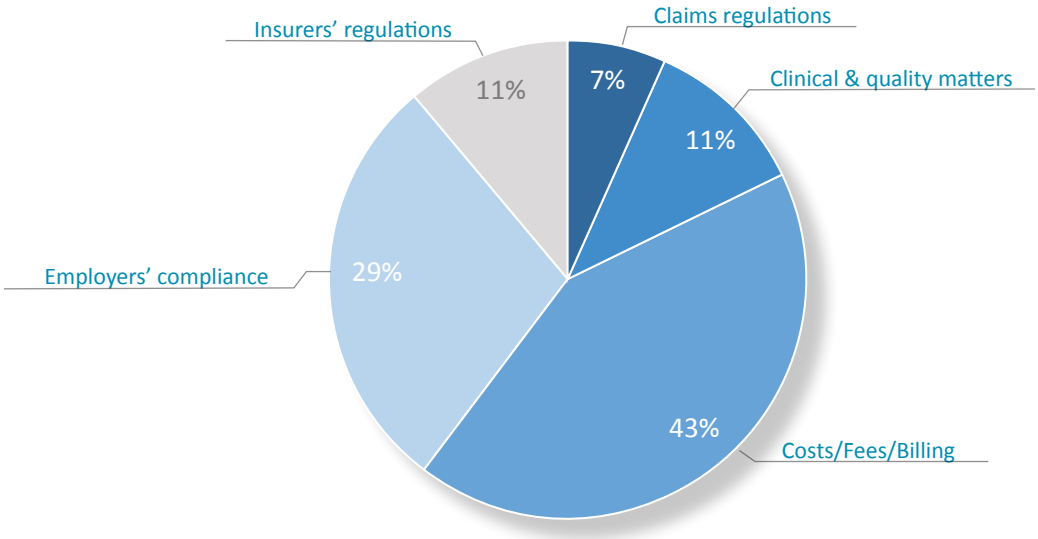



SOURCE: Health Disparities Report 2013

## **Figure 6 -** Nature of queries




## **Figure 7 -** Nature of complaints



# Accountability

*To assure transparency and impartiality across the health system*

## Communication

BHeC is dedicated to providing relevant, timely and accessible information in an effective and transparent manner. To do so we maintain a website with all of BHeC's publications, reports, newsletters and articles, as well as relevant legislation. The website's Healthcare Directory is one of the most visited pages on the site and continues to be popular with the public seeking a local healthcare provider. In addition, we post relevant health system news and topical, informative videos daily on our Facebook page.

## Collaboration

At BHeC we recognize the value of bringing stakeholders to the table to find solutions to a wide spectrum of health system issues from cost containment to health technology reviews. Maintaining strong relationships with stakeholders has assisted with ending upfront payments, introducing cost containment measures and improving the analysis of the National Health Accounts.

## In the News

BHeC recognizes the importance of engaging the public through the media. We maintain a monthly Q&A segment, *Matters in Healthcare*, in the *Bermuda Sun*, and we have also published numerous articles in a range of media outlets including *The Royal Gazette* and *The Bermudian* magazine. We have consistently offered comment on healthcare system issues in more than 60 articles, presence on various radio talk shows and appearances on CiTV, Governments' TV station, and *Let's Talk*, a current events show.

## Education

BHeC remains committed to the provision of impartial and accessible information about our health system to the public and our stakeholders. This year our team produced a number of documents to engage and assist our stakeholders and the public. From explaining developments on upfront payments to analysing the National Health Accounts, this year we published:

- The Guide to Health Insurance Claims Regulations 2012
- Claims Regulations Patients Need to Know 2012
- Health Disparities Report 2013
- National Health Accounts 2012
- Upfront payment legislation 2012 Frequently Asked Questions and In Brief
- BHeC's Quarterly Newsletter

In addition, since April 2012 the Health Council coordinated or spoke at 27 large discussion forums to inform, educate, or consult on a range of issues with a variety of stakeholders. Over 650 participants attended and the results have been tangible in terms of dialogue and mutual understanding. In addition, the Health Council presented at the *7th Caribbean Conference on Health Financing Initiatives*, where Bermuda has established a strong position among our Caribbean partners.

## Advice

One of BHeC's mandates is to provide advice to the Ministry of Health and Seniors on health system matters. In 2012/13 BHeC provided such advice through regular communication via informal and formal mechanisms on matters ranging from health system mapping, cost containment and regulated healthcare fees. The Health Council has been a valuable source of technical expertise and strategic oversight for Bermuda's health system, enabling evidence-based policy decisions by the Ministry.

# Efficient Operations

## Value

The vision of the Bermuda Health Council is *"achieving a quality, equitable and sustainable health system"*. Despite significant budget cuts, the Health Council continued to strive towards its vision during this fiscal year. In particular, BHeC undertook a comprehensive review of its key corporate governance instruments and updated its Governance Policy, Financial Instructions and Employee Handbook. Good governance and transparency are at the bedrock of all we do and, through highly efficient operations our Corporate Plan has been met once again.

## Growth

In 2012/13 BHeC's was able to take advantage of training opportunities both locally and overseas. Local training included workshops held by the Centre on Philanthropy, the Department of Human Resources, the Department of Public Prosecution, the Employee Assistance Programme and Gateway Solutions.

Overseas training provided the Secretariat with the opportunity to strengthen skills and capacity with courses from the *International Centre for Parliamentary Studies*, the *World Bank*, and the *Commonwealth Secretariat*.

## Community

To better understand our community and to strengthen ties with local organizations, BHeC continued our Learning Lunch series, featuring a variety of topics such as: water safety, cancer survival, crime prevention, pensions and epidemiology.

BHeC maintains membership with the Employee Assistance Program, Bermuda Employers Council, Health Insurance Committee and Bermuda Hospitals Board Ethics Committee. In addition, we maintain professional membership with the Bermuda Society for Healthcare Risk Management and Society for Human Resources Management.

# Who We Are

BHeC is comprised of a Board appointed annually by the Minister of Health, and a Secretariat of eight employed staff. It has operated since 2006 focusing on monitoring all aspects of Bermuda's health system.

## Appointed Board members from January to December 2012 were:

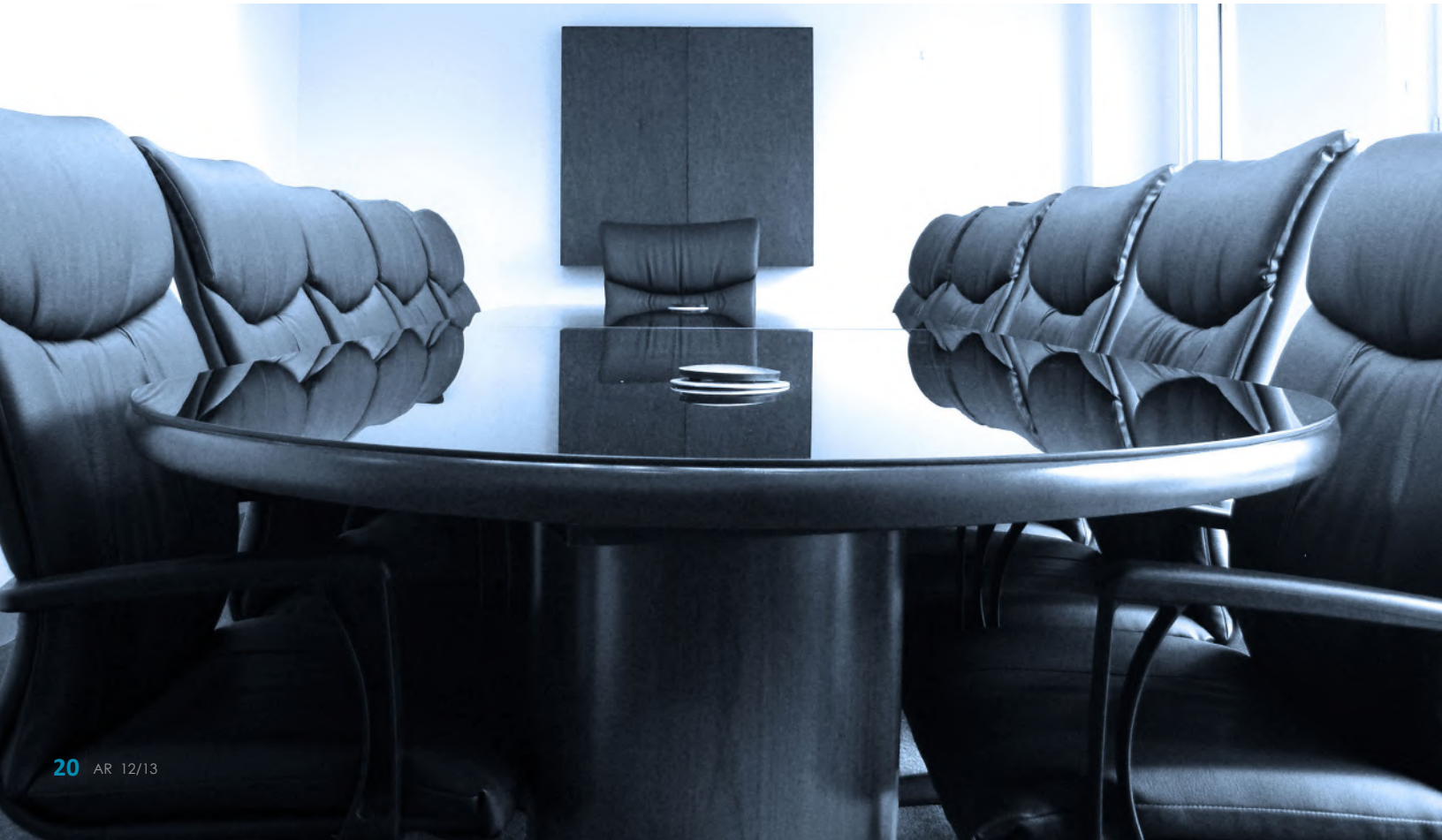
Dr John Cann, ***Chairman***
Mr Jerry Rivers, ***Deputy Chairman***
Dr Alicia Stovell-Washington
Dr Sandy DeSilva, Psy.D
Miss Kehinde George
Mr Peter Parker
Mrs Venetta Symonds
Mr Gary Weller
Dr Fiona Ross

## Appointed Board members from January 2013 are:

Mrs Jeanne J. Atherden, ***Chairman***
Mrs Simone Barton, ***Deputy Chairman***
Dr Burton Butterfield
Mrs Naz Farrow
Ms Alison Hill
Miss Katura Horton-Perinchief
Mrs Louise Jackson
Dr Wesley Miller
Mr Andrew Simons
Mrs Shade Subair
Mrs Venetta Symonds

## Ex-Officio Board members are:

Dr. Jennifer Attride-Stirling, ***BHeC CEO***
Mr Anthony Manders, ***Financial Secretary***
Mr Kevin Monkman, ***Permanent Secretary for Health & Seniors***
Dr Cheryl Peek-Ball, ***Chief Medical Officer***




# Financial Statements

# BERMUDA HEALTH COUNCIL

## FINANCIAL STATEMENTS

## MARCH 31, 2013

Bermuda Health Council
BHeC

**Management's Responsibility for the Financial Statements**

The financial statements have been prepared by management in accordance with public sector accounting standards generally accepted in Bermuda and Canada, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements. A summary of the significant accounting policies are described in Note 2 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control, and exercises these responsibilities through the Audit and Finance Committee. The Board reviews internal financial statements on a quarterly basis and external audited financial statements yearly. The Board also discusses any significant financial reporting or internal control matters prior to its approval of the financial statements.

The Auditor General of Bermuda conducts an independent examination, in accordance with auditing standards generally accepted in Bermuda and Canada, and express their opinion on the financial statements. The Auditor General of Bermuda has full and free access to financial management of the Bermuda Health Council and meet when required. The accompanying Auditor's Report outlines her responsibilities, the scope of her examination and her opinion on the financial statements.

On behalf of the Bermuda Health Council

Mrs. Jeanne J. Atherden, M.P.
Board Chair

Ms. Jennifer Attride-Stirling
Chief Executive Officer

9th December 2013

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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, 2013, and the statement of operations and accumulated surplus, the statement of changes in net financial assets and the statement of 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, 2013, 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
December 9, 2013

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

**BERMUDA HEALTH COUNCIL**
**STATEMENT OF FINANCIAL POSITION**
**MARCH 31, 2013**

| | 2013<br>$ | 2012<br>$ |
|---|---|---|
| **FINANCIAL ASSETS** | | |
| Cash and cash equivalents (note 4) | 542,232 | 561,830 |
| Due from the Government of Bermuda (note 8) | - | 100,000 |
| Accounts receivable | - | 236 |
| Rent deposit | 30,460 | 43,786 |
| | 572,692 | 705,852 |
| **LIABILITIES** | | |
| Accounts payable and accrued liabilities | 162,358 | 96,735 |
| Due to the Government of Bermuda (note 8) | 27,224 | 32,783 |
| | 189,582 | 129,518 |
| **NET FINANCIAL ASSETS** | 383,110 | 576,334 |
| **NON-FINANCIAL ASSETS** | | |
| Prepaid expenses | 4,362 | 15,885 |
| Tangible capital assets (note 5) | 7,120 | 6,940 |
| | 11,482 | 22,825 |
| **ACCUMULATED SURPLUS** | 394,592 | 599,159 |

Approved by the board:

Director

Director

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

**BERMUDA HEALTH COUNCIL**
**STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS**
**FOR THE YEAR ENDED MARCH 31, 2013**

| | 2013 $ Budget (Note 10) | 2013 $ Actual | 2012 $ Actual |
|---|---|---|---|
| **REVENUES** | | | |
| Government of Bermuda grant (note 8) | 882,200 | 882,200 | 882,200 |
| MOH special grant (note 8) | 400,000 | 400,000 | 100,000 |
| Donated services (note 8) | - | 36,385 | - |
| Other Income | 12,000 | 19,795 | 12,379 |
| Interest | - | 1,186 | 1,440 |
| | 1,294,200 | 1,339,566 | 996,019 |
| **EXPENSES** | | | |
| Salaries and employee benefits | 813,069 | 827,041 | 765,754 |
| Legal and professional fees | 376,100 | 425,782 | 140,717 |
| Rent | 146,208 | 144,460 | 210,279 |
| Telecommunications | 24,436 | 20,890 | 23,724 |
| Training and workshops | 20,000 | 18,636 | 12,269 |
| Office supplies | 20,000 | 14,529 | 16,206 |
| Repairs and maintenance | 17,092 | 13,876 | 23,458 |
| Research and development | 3,500 | 13,628 | 3,500 |
| Marketing | 11,000 | 13,097 | 24,785 |
| Board member fees | 8,900 | 10,100 | 6,500 |
| Electricity | 12,106 | 9,869 | 11,753 |
| Land & Corporation Taxes | 7,914 | 7,766 | 7,684 |
| Amortization of tangible capital assets | 4,021 | 4,942 | 15,713 |
| Bank Charges | 1,439 | 3,821 | 1,395 |
| Printing | 3,000 | 2,076 | 3,255 |
| Miscellaneous | 11,903 | 13,620 | 26,637 |
| | 1,480,688 | 1,544,133 | 1,293,629 |
| **ANNUAL DEFICIT** | (186,488) | (204,567) | (297,610) |
| **ACCUMULATED SURPLUS, BEGINNING OF YEAR** | | 599,159 | 896,769 |
| **ACCUMULATED SURPLUS, END OF YEAR** | | 394,592 | 599,159 |

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

**BERMUDA HEALTH COUNCIL**
**STATEMENT OF CHANGES IN NET FINANCIAL ASSETS**
**MARCH 31, 2013**

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| **NET FINANCIAL ASSETS, BEGINNING OF YEAR** | 576,334 | 875,623 |
| Annual deficit | (204,567) | (297,610) |
| Change in prepaid expenses | 11,523 | (13,904) |
| Acquisition of tangible capital assets (note 5) | (5,814) | (3,488) |
| Amortization of tangible capital assets (note 5) | 4,942 | 15,713 |
| Loss on disposal of tangible capital assets (note 5) | 692 | - |
| **Changes in net financial assets during the year** | (193,224) | (299,289) |
| **NET FINANCIAL ASSETS, END OF YEAR** | 383,110 | 576,334 |

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

**BERMUDA HEALTH COUNCIL**
**STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED MARCH 31, 2013**

| | 2013<br>$ | 2012<br>$ |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Annual deficit | (204,567) | (297,610) |
| Adjustment for items not affecting cash: | | |
| Amortization of tangible capital assets | 4,942 | 15,713 |
| Loss on disposal of tangible capital assets | 692 | - |
| Changes in non-cash working capital | 185,149 | (89,837) |
| Net cash used in operating activities | (13,784) | (371,734) |
| **CASH FLOWS FROM CAPITAL ACTIVITIES** | | |
| Acquisition of tangible capital assets | (5,814) | (3,488) |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | (19,598) | (375,222) |
| **CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** | 561,830 | 937,052 |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | 542,232 | 561,830 |

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

# BERMUDA HEALTH COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS

## MARCH 31, 2013

### 1. AUTHORITY

The Bermuda Health Council (the "Council") was established under The Bermuda Health Council Act, 2004, which gained assent on June 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

These financial statements have been prepared by management in accordance with generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of the CPA Canada.

For financial reporting purposes, the Council is classified as an other government organization and has adopted accounting policies appropriate for this classification. The policies considered particularly significant are set out below:

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 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 in the year to which they relate.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Revenue recognition (continued)

Interest income 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 revenue 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) 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.

f) Measurement uncertainty

The preparation of financial statements in accordance with PSAB 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 earned and expenses incurred during the year. 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 to fund its daily operations, cash flow, capital development and capital acquisitions.

4. CASH AND CASH EQUIVALENTS

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

## 4. CASH AND CASH EQUIVALENTS (continued)

| | 2013 | Effective Yield | 2012 | Effective Yield |
|---|---|---|---|---|
| | $ | % | $ | % |
| Petty cash | 283 | - | 255 | - |
| Cash | 35,800 | - | 30,789 | - |
| Call deposit | 506,149 | 0.23 | 3,490 | 0.05 |
| Fixed deposit (maturing within 3 months) | - | - | 527,296 | 0.25 |
| | 542,232 | | 561,830 | |

## 5. TANGIBLE CAPITAL ASSETS

| | Furniture & Fixtures | Computer & Tele-Communication Equipment | Leasehold Improvements | 2013 | 2012 |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Opening cost | 99,123 | 56,819 | 27,339 | 183,281 | 179,793 |
| Additions | 1,506 | 2,170 | 2,138 | 5,814 | 3,488 |
| Disposals | - | (779) | - | (779) | - |
| Closing cost | 100,629 | 58,210 | 29,477 | 188,316 | 183,281 |
| Opening accumulated amortization | 97,225 | 51,777 | 27,339 | 176,341 | 160,628 |
| Amortization | 1,367 | 3,575 | - | 4,942 | 15,713 |
| Disposals | - | (87) | - | (87) | - |
| Closing accumulated amortization | 98,592 | 55,265 | 27,339 | 181,196 | 176,341 |
| Net book value of tangible capital assets | 2,037 | 2,945 | 2,138 | 7,120 | 6,940 |

## 6. FINANCIAL INSTRUMENTS

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

6. FINANCIAL INSTRUMENTS (continued)

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

7. FINANCIAL RISK MANAGEMENT

The Council is exposed to various risks through its financial instruments. The Council has 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, 2013.

*(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.

*(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.

*(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.

*(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.

7. FINANCIAL RISK MANAGEMENT (continued)

*(c) Market Risk (continued)*

*(ii) Interest Rate Risk*

The Council is exposed to changes in interest rates, which may impact interest revenue on erm deposits. The Council's receivables and payables are non-interest bearing.

8. RELATED PARTY TRANSACTIONS

The Council is related in terms of common ownership to all Government of Bermuda departments, funds and agencies. 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 of Bermuda:

a) Revenues and receivables

The Government of Bermuda provided the Council with a grant of $882,200 (2012 - $882,200) and a special grant of $400,000 (2012 - $100,000) during the year to cover the operations of the Council. As of March 31, 2013, $Nil (2012 - $100,000) was due from the Government of Bermuda.

b) Expenses and payables

As of March 31, 2013 the Council entered into the following transactions with the Government of Bermuda:

| | Transactions for the year | | Due at the year end | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Superannuation | $60,396 | $56,896 | $8,927 | $8,485 |
| Health Insurance | $41,080 | $40,004 | $7,061 | $14,198 |
| Social Insurance | $14,033 | $12,905 | $1,499 | $1,094 |
| Payroll Tax | $7,539 | $7,147 | $9,737 | $9,006 |
| Total Paid | $123,048 | $116,952 | $27,224 | $32,783 |

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

c) Donated services

During the year ended March 31, 2013, the Ministry of Health and Seniors seconded to the Council the services of a Policy Analyst for an interim period from July 23, 2012 to December 14, 2012. This aided the Council in carrying out its legislated mandate.

8. RELATED PARTY TRANSACTIONS (continued)

c) Donated services (continued)

The basis of calculation for donated services was $86,000, based on the proposed salary of the Policy Analyst to be hired starting January 2013. Donated services for the year ended March 31, 2013 totalled $36,385 (2012 - $Nil).

9. EMPLOYEE BENEFITS

a) Pension plan

The Council employees' pension plan are covered by the Public Service Superannuation Fund (the "Fund"), which is a defined benefit plan administered by the Government of Bermuda. 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 total pension expense contributed by the Council during the year amounted to $60,396 (2012 - $56,896).

b) Other benefits

Other employee benefits include maternity leave, sick leave and vacation days. All these benefits are unfunded.

Maternity 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 $10,167 (2012 - $Nil).

Sick leave accumulates but does not vest, and like maternity leave, a liability is recorded only when extended leave is applied for and approved. There was no extended sick leave applied for or approved during the current year and therefore, no liability has 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, 2013 is $25,488 (2012 - $25,746) and is included in accounts payable and accrued liabilities.

## 10. BUDGET

The amounts represent the operating budget which was approved by the Board on 28 May 2012.

## 11. COMMITMENT

The Council has a lease agreement for its office premises which expires on March 26, 2016. The remaining obligation under this lease is $441,274 (2012 - $591,250).

## 12. COMPARATIVE FIGURES

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


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