



Bermuda Health Council

2008 Annual Report



Bermuda Health Council



Bermuda Health Council

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February 11, 2009

The Honourable B.A. Nelson Bascome, JP, MP
Minister of Health and Family Services
Ministry of Health and Family Services
Continental Building
25 Church Street
Hamilton HM 12

Dear Honourable Minister Bascome,

Re: Report of annual activity for the period 1st April 2007 to 31st March 2008

In the world of annual reports, the word ‘challenging’ can be seen as a euphemism to cushion the road that leads to this second annual report for the fiscal year 1st April 2007 to 31st March 2008.

The Bermuda Health Council set some challenging goals with a small working staff. The Health Council members working with the Collaboration Committee, the Health Insurance Committee, and other stakeholder groups were enthused to continue the process of delivering the mandate of the Bermuda Health Council.

It is with pleasure that this letter is being submitted on behalf of the Bermuda Health Council during the period that I sat as a Health Council member.

1. Reports

During this fiscal year the Health Council produced two major reports and commissioned one to meet its strategic direction and mandated functions including:

- The Regulation of Health Professionals in Bermuda
- The Process of Regulating Health Service in Providers in Bermuda
- 2007 Actuarial Review of the Health Insurance Plan (commissioned)

2. Collaboration Committee

The Collaboration Committee comprised healthcare stakeholders including pharmacy owners, allied health professionals, physicians, insurers, non-regulated professionals, pharmacists, nurses, non-governmental organizations, Bermuda Public Services Union, Bermuda Hospitals Board, and Bermuda Employers Council.

The major focus of the Collaboration Committee was to initiate a review of generic and brand drugs to identify utilization patterns with the purpose of reducing costs. The information gleaned from their research has become a component of the Council’s future strategic goals regarding methodologies to influence the cost of drugs in Bermuda.

3. Annual Processes

The Health Council facilitated the licensing of six health insurers and two approved schemes in accordance with the Bermuda Health Council Act 2004 Section 5 (e). In addition, it considered proposals submitted by health entities for benefit coverage under the Standard Hospital Benefit. The Health Insurance Committee (HIC) reviewed 64 healthcare proposals and submitted approved recommendations to the Minister of Health. These included recommendations related to:

- a) Standard Premium Rates
- b) Premium rates for tiers in the Health Insurance Plan (HIP)

4. Regulations

The Health Council embarked on the awesome task of collaborating with stakeholders that included 13 statutory bodies and 18 professional associations to develop and recommend to the Minister of Health methodologies to improve the quality of service, standards for professional practice, consistency of approaches to licensing regimes and commissioned research on regulations for healthcare businesses in Bermuda.

5. Partnerships

The Health Council partnered with the Bermuda Diabetes Association to increase public awareness about diabetes, sponsored the 100 Day Challenge and participated in Health Week 2007: 'Mind, Body and Soul' on Fresh TV.

6. CEO Public Appearances

The CEO represented the Council by accepting speaking engagements at events held by the Department of National Drug Control and the Centre for Alcohol and Drug Abuse (CADA).

7. Recognition

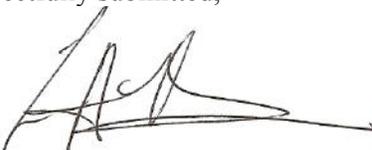
In 2007 the Health Council's website was awarded the 2007 e-Government Award for [Web] Community of the Year.

In closing, the Health Council is optimistic about the future direction of the Council because of our rare opportunity to work with a wide range of Bermuda's stakeholders. The Council will cultivate, with a passion, our ability to network, coordinate, cooperate and collaborate with groups of talented people.

We have the opportunity to do 'amazing, challenging' tasks with an attitude that promotes delivering the best health systems for Bermuda and her residents.

Finally, I take this opportunity to thank all of the Council members who served in 2007, the Collaboration Committee and the staff of the Bermuda Health Council.

Respectfully submitted,



Linda A Merritt, JP, HIA, ACS
Chairman
Bermuda Health Council

Financial Statements



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AUDITOR'S REPORT

To the Minister of Health

I have audited the statement of financial position of the Bermuda Health Council (the "Council") as at March 31, 2008 and the statements of operations, changes in net assets, and cash flows for the year ended. These financial statements are the responsibility of the Council's management. 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 plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2008, and the results of its operations and its cash flows for the year ended March 31, 2008 in accordance with accounting principles generally accepted in Bermuda and Canada.

Hamilton, Bermuda
July 4, 2008

A handwritten signature in blue ink, appearing to read 'Larry T. Dennis', with a long horizontal flourish extending to the right.

Larry T. Dennis, C.A.
Auditor General

**BERMUDA HEALTH COUNCIL
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2008**

	2008	2007
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (note 2 (a))	1,742,722	1,391,667
Prepaid expenses	2,021	2,050
Other assets	47,537	43,786
	1,792,280	1,437,503
CAPITAL ASSETS (note 4)	89,954	64,757
	1,882,234	1,502,260
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (note 6)	131,927	47,398
Due to the Government of Bermuda (note 6)		10,344
Due to the Department of Social Insurance (note 6)	21,302	35,663
	153,229	93,405
DEFERRED CAPITAL CONTRIBUTIONS (note 5)	89,954	64,757
	243,183	158,162
NET ASSETS		
Net assets invested in capital assets	89,954	64,757
Restricted for Department of Social Insurance (note 6)	21,302	35,663
Unrestricted net assets	1,527,795	1,243,678
	1,639,051	1,344,098
	1,882,234	1,502,260

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

**BERMUDA HEALTH COUNCIL
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2008**

	2008	Period from July 20, 2005 (Commencement of Operations) to March 31 2007
	\$	\$
REVENUES		
Government of Bermuda Grant (note 6)	1,245,609	2,157,127
Amortization of deferred capital contributions	40,394	28,940
Donated services (note 6)	39,000	70,642
Interest	31,068	6,532
	<u>1,356,071</u>	<u>2,263,241</u>
EXPENSES		
Salaries and employee benefits	593,558	234,955
Rental expenses	200,209	198,121
Legal and professional fees	51,057	315,396
Board member fees (note 6)	42,150	22,825
Amortization of capital assets (note 4)	40,394	28,940
Repairs and maintenance	22,842	14,206
Office supplies	22,787	24,897
Telecommunications	14,815	10,053
Marketing	13,504	4,077
Electricity	11,385	12,309
Conferences and meetings	10,264	14,396
Training and workshops	6,892	26,036
Miscellaneous	31,261	12,932
	<u>1,061,118</u>	<u>919,143</u>
EXCESS OF REVENUES OVER EXPENSES	<u>294,953</u>	<u>1,344,098</u>

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

**BERMUDA HEALTH COUNCIL
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2008**

	2008				2007
	Net assets invested in capital assets	Restricted for Department of Social Insurance	Unrestricted net assets	Total	Total
	\$	\$	\$	\$	\$
BALANCE, BEGINNING OF YEAR	64,757	35,663	1,243,678	1,344,098	-
Expenses on behalf of the Department of Social Insurance (note 6)		(14,361)	14,361	-	-
Investment in capital assets	65,591		(65,591)	-	-
(Deficiency) excess of revenues over expenses	(40,394)		335,347	294,953	1,344,098
BALANCE, END OF YEAR	<u>89,954</u>	<u>21,302</u>	<u>1,527,795</u>	<u>1,639,051</u>	<u>1,344,098</u>

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

**BERMUDA HEALTH COUNCIL
STATEMENT OF CASH FLOWS
MARCH 31, 2008**

		Period from July 20, 2005 (Commencement of Operations) to March 31
	2008	2007
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenses	294,953	1,344,098
Amortization of capital assets	40,394	28,940
Amortization of deferred capital contributions	40,394	(28,940)
Changes in non-cash working capital:		
Prepaid expenses	29	(2,050)
Other assets	(3,751)	(43,786)
Accounts payable and accrued liabilities	84,529	47,398
Due to the Government of Bermuda	(10,344)	10,344
Due to the Department of Social Insurance	(14,361)	35,663
	<u>351,055</u>	<u>1,391,667</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	(65,591)	(93,697)
	<u>(65,591)</u>	<u>(93,697)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital grant		50,000
Contributions used for capital assets	65,591	43,697
	<u>65,591</u>	<u>93,697</u>
Net cash generated through financing activities	<u>65,591</u>	<u>93,697</u>
Net increase in cash and cash equivalents	351,055	1,391,667
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,391,667</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>1,742,722</u></u>	<u><u>1,391,667</u></u>

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

**BERMUDA HEALTH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008**

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. The Ministry of Health commenced operations on behalf of the Council on July 20, 2005. The official commencement date of the Council was January 1, 2006.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting principles generally accepted in Bermuda and Canada. For financial reporting purposes, the Council is classified as a government not-for-profit organization and has adopted accounting policies appropriate for this classification. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates. The following are the significant accounting policies adopted by the Council:

a) Cash and cash equivalents

For the purposes of the statement of cash flows, the Council considers all time deposits with an original maturity of less than 3 months as equivalent to cash. All of cash and cash equivalents are held by one bank in Bermuda at March 31, 2008.

b) Revenue recognition

The Council’s revenue is recognized on the accrual basis when it is probable that the economic benefits will flow to the Council and the revenue can be reliably measured.

The Council follows the deferral method of accounting for contributions, which includes government grants.

Operating grants received for use in the day-to-day operations of the Council are recognized as revenue on the statement of operations in the year to which they relate.

Contributions used for the purposes of purchasing capital assets are deferred and recognized as revenue on the same basis as the amortization of the related capital assets.

Interest income is recognized on the accrual basis.

**BERMUDA HEALTH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Specific grants

Grants received by the Council for purposes other than for capital or operating expenditures, are recognized on the balance sheet as a liability, and reduced when the Council has carried out the activities related to the grant.

d) Capital assets and amortization

Capital assets are stated at cost less accumulated amortization. Amortization is calculated on a straight-line basis at rates estimated to write off the assets over their estimated useful lives as follows:

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

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized.

e) 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 included is 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.

**BERMUDA HEALTH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Adoption of accounting standards

Effective April 1, 2007 the Council adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA) (which are promoted by the Institute of Chartered Accountants of Bermuda by signed agreement and therefore generally accepted in Bermuda):

Section 1506, Accounting Changes

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the Council has not yet applied a new primary source of GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the Council's financial statements for the year ended March 31, 2008.

Section 1530, Comprehensive Income

Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments.

The Council has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008. Because the Council has no items related to other comprehensive income, comprehensive income is equivalent to net income.

Section 3855, Financial Instruments - Recognition and Measurement

Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized. The adoption of this revised standard had no material impact on the Council's financial statements for the year ended March 31, 2008.

BERMUDA HEALTH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Financial instruments

The Council's financial instruments consist of cash and cash equivalents, accounts payable, due to the Government of Bermuda and due to the Department of Social Insurance. It is management's opinion that the Council is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair value of these financial instruments approximates their carrying values due to their relative short-term nature.

Certain items such as prepaid expenses, other assets and deferred capital contributions are excluded from fair value disclosure, as they are not financial instruments.

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. CAPITAL ASSETS

	2008		2007	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Furniture and fixtures	93,053	28,236	64,817	36,298
Computer and telecommunications equipment	38,896	22,787	16,109	10,403
Leasehold improvements	27,339	18,311	9,028	18,056
	<u>159,288</u>	<u>69,334</u>	<u>89,954</u>	<u>64,757</u>

The cost and accumulated amortization of capital assets at March 31, 2007 were \$93,697 and \$28,940, respectively.

**BERMUDA HEALTH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008**

5. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent contributions made by the Government of Bermuda utilized for the acquisition of capital assets. The contributions are amortized to revenue on the same basis as the amortization expense of the acquired assets. The changes for the deferred capital contributions balance for the year are as follows:

	2008	2007
	\$	\$
Balance, beginning of year	64,757	
Add: capital grant		50,000
Add: transferred from operating grant (note 6(a))	65,591	43,697
Less: amount amortized to revenue	<u>(40,394)</u>	<u>(28,940)</u>
Balance, end of period	<u>89,954</u>	<u>64,757</u>

6. RELATED PART TRANSACTIONS

The Council is related in terms of common ownership to all Government of Bermuda departments 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 received the following grants from the Government of Bermuda:

a) Operating grant

The Government of Bermuda provided the Council with a grant of \$1,311,200 (2007 - \$2,200,824) during the year to cover the operations of the Council. \$65,591 (2007 - \$43,697) of this grant was utilized for capital acquisitions and has been recorded as deferred capital contributions.

b) Capital grant

During the period ended March 31, 2007, the Government of Bermuda provided the Council with a capital grant of \$50,000 (2008 - \$Nil). The entire grant was utilized for the acquisition of capital assets.

c) Specific grant

During the period ended March 31, 2007, the Government of Bermuda provided the Council with \$50,000 (2008 - \$Nil) specifically to provide assistance to the Department of Social Insurance in establishing their Washington Mall office. As at March 31, 2008, a total of \$28,698 (2007 - \$14,337) of these funds had been used.

BERMUDA HEALTH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008

6. RELATED PARTY TRANSCATIONS (continued)

c) Specific grant (continued)

The Government of Bermuda also provided the contribution of staffing resources, recorded as donated services, in the amount of \$39,000 (2007 - \$70,642).

The amount due to the Government of Bermuda represents year-end accruals for payroll tax and social insurance.

During the year the Council paid members of the board fees in accordance with the Government Authorities (Fees) Act 1971. Total fees were \$42,150 (2007 - \$22,825), of which \$750 (2007 - \$1,650) was unpaid as at March 31, 2008, and is included in accounts payable and accrued liabilities.

7. PENSION EXPENSE

It is anticipated that the Council's employees will participate in a defined contribution plan that is to be established in July 2008. Under the plan, the Council will contribute 6% of each eligible member's salary to the plan. During the period ended March 31, 2008 the Council expensed contributions of \$31,207 (2007 - \$12,034) equating to the service cost for the period and which is included in salaries and employee benefits and accounts payable and accrued liabilities, respectively.

8. FINANCIAL VALUE OF FINANCIAL INSTRUMENTS

The Council's financial instruments consist of cash and cash equivalents, other assets and liabilities. It is management's opinion that the Council is not exposed to significant interest, currency or credit risk arising from these financial instruments.

The following methods and assumptions were used by the Council in estimating fair value disclosures for financial instruments:

Cash and cash equivalents: The carrying amounts reported in the statement of financial position for these financial instruments approximate their fair values.

Other assets and liabilities: The fair value of other assets, accounts payable and accrued liabilities, due to the Government of Bermuda and due to the Department of Social Insurance approximates their carrying value due to their relative short-term nature.

The estimates of fair values presented herein are subjective in nature and are not necessarily indicative of the amounts that the Council would actually realize in a current market exchange. However, any differences would not be expected to be material. Certain items such as prepaid expenses, capital assets and deferred capital contributions are excluded from fair value disclosure, as they are not financial instruments. Thus the total fair value amounts cannot be aggregated to determine the underlying economic value of the Council.

BERMUDA HEALTH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008

9. COMMITMENTS

The Council has entered into an operating lease agreement for office premises which expires on March 27, 2009. The future minimum lease payments under this lease agreement is \$200,204.

10. FUTURE ACCOUNTING POLICY CHANGES

Section 3862: Financial Instruments - Disclosure and Section 3863: Financial Instruments - Presentation

As of October 1, 2007, Section 3861: "Financial Instruments - Disclosure and Presentation" was replaced by two new standards, Section 3862: "Financial Instruments - Disclosures" and Section 3863: "Financial Instruments - Presentation" which enhance the ability of users of financial statements to evaluate the significance of financial instruments to an entity, related exposure and the management of these risks.

Section 1535: Capital Disclosures

In December 2006, the Canadian Institute of Chartered Accountants published Section 1535, "Capital Disclosures". The new section establishes standards for disclosing information about an entity's capital and how it is managed. This new standard is effective for fiscal years beginning on or after October 1, 2007.

Section 1400: General Standards of Financial Statement Presentation

In June 2007, the Canadian Institute of Chartered Accountants modified Section 1400, "General Standards of Financial Statement Presentation", in order to require that management make an assessment of the Council's ability to continue as a going concern over a period which is at least, but is not limited to, twelve months from the year end presented. These new requirements are effective for fiscal years beginning on or after January 1, 2008.

These changes in accounting policies, which will be adopted effective April 1, 2008, are not expected to have a material effect on the Council's financial position or results of operations but will require additional disclosures in the financial statements.



Bermuda Health Council

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