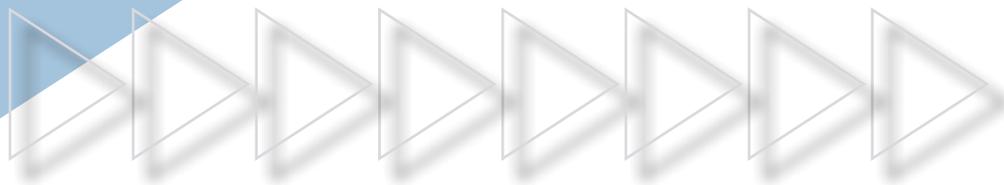


2017/18

BERMUDA HEALTH COUNCIL

ANNUAL REPORT



2017/18 BERMUDA HEALTH COUNCIL ANNUAL REPORT

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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Bermuda Health Council



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MESSAGE FROM THE MINISTER



Hon. Kim Wilson JP, MP
Minister of Health
Government of Bermuda



Government of Bermuda
Ministry of Health
OFFICE OF THE MINISTER

As the new Minister of Health I'm very pleased to present the Bermuda Health Council's Annual Report for the fiscal year 2017 to 2018.

The Bermuda Health Council plays an important role in supporting the Ministry's stewardship and regulation of the island's health system. Its regulation of health insurers and of employers' insurance obligations has been of great assistance to many patients and healthcare providers.

Employers' compliance with health insurance obligations has improved through the Health Council's enforcement activities which protects employees and secures them the coverage they are entitled to by law. Health insurers provide data to the Health Council which is used to monitor health trends and direct policy decisions. The Health Council is committed to evidence-based policy-making and its analyses and recommendations are invaluable to the Ministry of Health and to the health system overall.

This year the Health Council developed the Unique Patient Identifier which is a first step towards integrating health information; in addition, the Health Council published information on prescription drugs pricing to help guide patient choices for cost efficiency. This is vital in particular for persons with capped pharmacy benefits who have to stretch every dollar to manage their chronic conditions.

In addition, this year the Health Council underwent some adjustments following the change in Government in July. This led to a shift in direction away from Section 13, and towards health financing reform and improved regulation of health professionals. The Health Council is well positioned to play an important role in both these endeavours and I look forward to advancing this work in the coming year.

I would like to thank the staff and Board of the Bermuda Health Council for their commitment and dedication to improving the health system for all residents. They understand the breadth of the challenges we face and their input is an important contribution to achieving the Ministry's goal of accessible and affordable healthcare for all.

A handwritten signature in black ink, appearing to read 'Kim N. Wilson'.

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

MESSAGE FROM THE CHAIRMAN



As the Health Council continues to build upon its new focus toward promoting health care that is sustainable by encouraging good governance and accountability of the health system, we will work to address concerns about how the health system pays for care and encourage public discussions about the role of the Health Council in promoting excellent quality health care.

As a physician and leader within the health system, I am pleased to present my first annual report as Council Chairman. The *2017/18 Annual Report* reflects our organizational maturity and anticipates a very productive year of honesty, collaboration and leadership.

Steps we have taken over the past year to improve the quality of health care include:

1. Publishing guidance about the pricing of medication so people can afford what they need.
2. Enhancing patient confidentiality by piloting a unique patient identifier.
3. Reviewing health services on the island and recommending the addition of new services.
4. Monitoring statutory boards who register the health professionals that deliver care.

We also published our first opinion about new services related to live donor kidney transplantation on the island and continued issuing annual snapshots about health financing and expenditure. In addition, we increased our transparency by revising our website to include "Behind the Scenes" information to educate and inform the public about what we are accomplishing on a daily basis.

We expanded our international partnerships by working with the Care Quality Commission in the U.K. and the Pan American Health Organization in the Caribbean region to enhance local care delivery and our health system IT infrastructure.

As we enter the coming year, our new Board has fresh ideas and the dedicated professionals of the Secretariat are preparing to fine tune our regulatory remit. We will be more responsive to the needs of the community as we get closer to our goal of ensuring excellent quality health care that is sustainable for everyone in Bermuda.

A handwritten signature in black ink, appearing to read "Alicia Stovell-Washington".

Dr. Alicia Stovell-Washington, MD
Chairman



Dr. Alicia Stovell-Washington
Board Chairman
Bermuda Health Council

A FEW HIGHLIGHTS FROM 2017/18



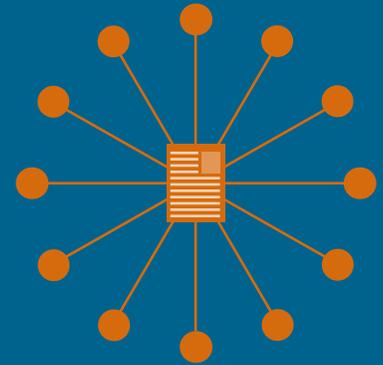
Piloted the Unique Patient Identifier in 7 health sites

More information on page 12



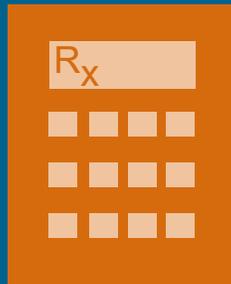
Addressed 57 complaints and 150 queries which led to system improvements

More information on page 13



Facilitated 15 Health Technology Reviews in collaboration with 36 health system experts

More information on page 13



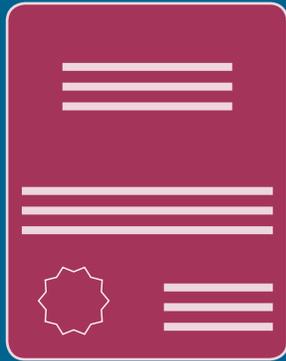
Developed first consumer guidance pricing tool for prescription drugs

More information on page 10



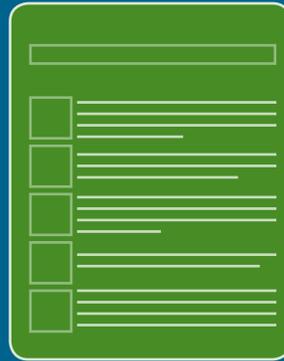
Published 6 reports which provide the public with information about the health system

www.bhec.bm



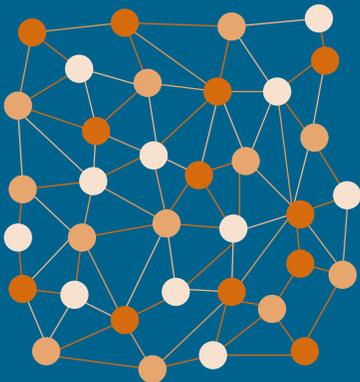
Licensed 4 health insurers and 3 approved schemes

More information on page 15



Conducted 2 health system surveys which received a total of 1,418 responses

More information on page 14



Hosted networking event for 35 students pursuing careers in health

More information on page 14



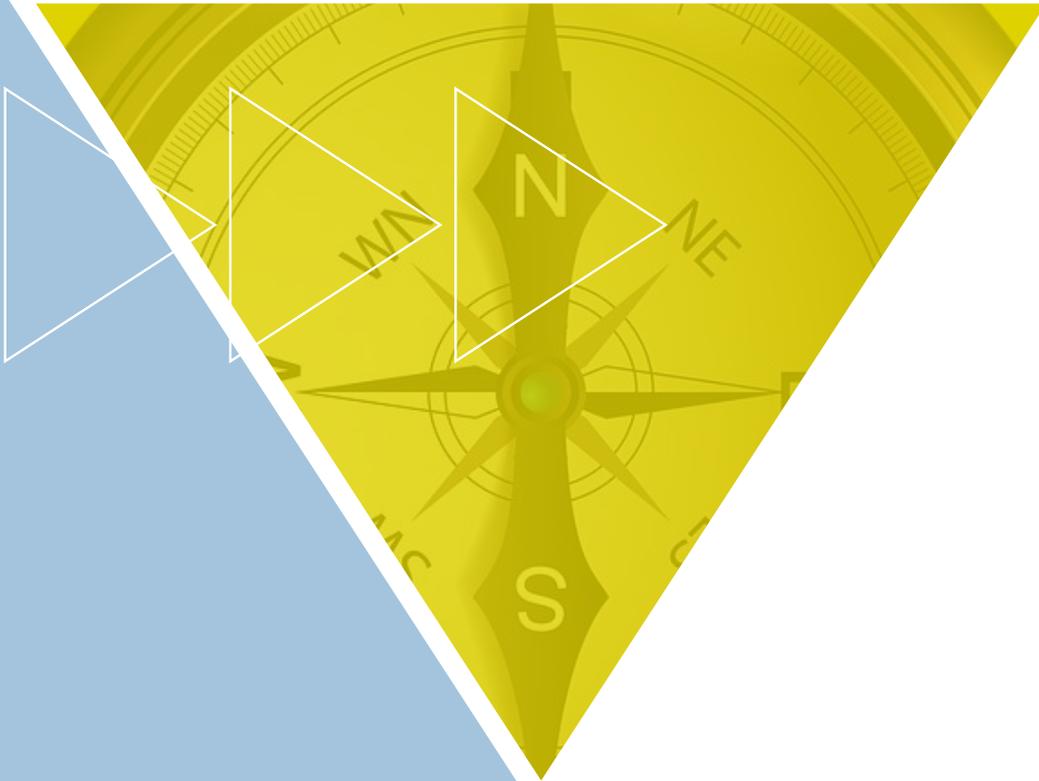
Completed 10 inspections of non-compliant businesses

More information on page 15



Presented to over 485 external stakeholders about health matters

More information on page 16



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 (Health Council) reviews its strategic priorities as we better understand the links between the price of health services, health insurance premiums, access to health services and overall health. Our objectives focused on the following priority areas:

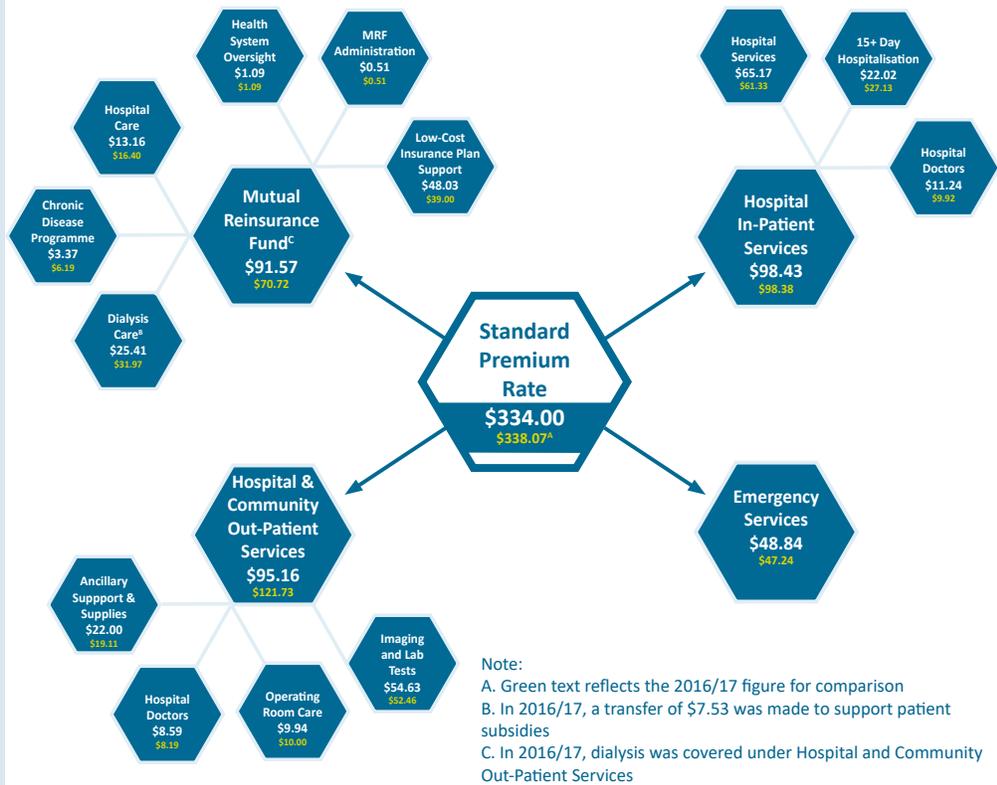
Finance & Economics	Monitoring available resources for improving the health system
Quality & Standards	Collaborating to encourage best practice when delivering healthcare
Accountability	Being transparent about what we do and how we do it
Regulation	Ensuring health services are provided in accordance with the law

Our accomplishments for fiscal year 2017/18 are outlined in the following Annual Report.

PRIORITIES: FINANCE & ECONOMICS

Recommending standards in reimbursement rates

The Health Council recommends, to the Minister of Health, reimbursement rates for services provided under Standard Health Benefit (SHB). This year, we modelled standardisation of the rate setting process to reduce disparity in reimbursement rates between the hospital and community providers for the same SHB services. The reimbursement rates for SHB services ultimately affect the cost of SHB, known as the Standard Premium Rate (SPR). The SPR decreased from \$338.07 in 2016/17 to \$334 in 2017/18 resulting in a \$2.5M reduction in SHB premium. Details of the financial impact of these changes and the SPR determination process are published in the [2016 Actuarial Report](#).



SHB is the minimum package of benefits included in every health insurance policy sold in Bermuda

Guiding consumer pricing for prescription drugs

Drugs are a significant out-of-pocket expense for Bermuda's residents. In our 2017 Health Services Survey, respondents highlighted that they "just can't afford the medication they need" and "need help getting medicines". Based on the survey responses and logged complaints and queries, a consumer pricing tool was created to provide transparency about what goes into the cost of drugs and encourages residents to seek fair pricing. The tool can be found on our website at www.bhec.bm/rx. This pricing tool is the precursor to a drug formulary which will regulate drug prices.

Drug Name	Lowest Price Per Unit (e.g. per pill, ml, puff) Cost in Bermuda	Lowest Dispensing Fee in Bermuda
Acetazolamide- 250/var	\$0.07	\$15
Amitriptyline- 10 mg, 20 mg	\$0.03	\$15
Azathioprine- 50 mg	\$0.44	\$15
Beclomethasone- 50 mcg	\$0.07	\$15
Brimonidine- 0.2% Drop	\$3.35	\$15
Bupropion- 150 mg (XL)	\$1.09	\$15
Celecoxib- 200 mg	\$0.25	\$15
Citalopram- 10 mg	\$0.15	\$15
Citalopram- 20 mg	\$0.20	\$15
Clozapine- 100 mg	\$2.05	\$15
Diclofenac sodium- 50 mg	\$0.09	\$15
Diclofenac sodium- 75 mg	\$0.11	\$15
Dorzolamide- 2% Drop	\$0.83	\$15
Escitalopram-10 mg	\$0.16	\$15
Fluoxetine- 20 mg	\$0.07	\$15
Fluticasone- Spy	\$0.13	\$15
Gabapentin- 100 mg	\$0.09	\$15
Gabapentin- 300 mg	\$0.12	\$15
Glipizide- 5 mg	\$0.03	\$15
Gliclazide- 60mg	\$0.16	\$15
Gliclazide- 80mg	\$0.13	\$15
Glimepiride- 2mg	\$0.05	\$15
Glipizide- 5 mg	\$0.14	\$15
Glipizide- 5 mg ER	\$0.47	\$15
Hydroxychloroquin sulphate- 200 mg	\$0.19	\$15

+ [Menu Icon] Consumer Price List

HIGHLIGHTS: HEALTH SYSTEM FINANCE AND EXPENDITURE

The following is an overview of Bermuda's health system finance and expenditure for fiscal year ending 31st March 2016



Per Capita Health System Expenditure
\$11,362
▲ 2%

Total Health System Expenditure
\$701,409,000
▲ 1.9%

PUBLIC SECTOR EXPENDITURE

46.1%
BERMUDA HOSPITALS BOARD

3.5%
DEPARTMENT OF HEALTH

1.8%
MINISTRY OF HEALTH

PRIVATE SECTOR EXPENDITURE

6.3%
PRESCRIPTIONS

8.7%
HEALTH INSURANCE ADMINISTRATION

8.8%
LOCAL PRACTITIONERS

12.1%
OVERSEAS CARE

12.7%
OTHER CARE & APPLIANCES

Analysing health costs

The Health Council monitors health finance and expenditure, producing an annual National Health Accounts Report (NHA). Using a standard framework for tracking resources, allows the Health Council to compare Bermuda with OECD (Organisation for Economic Co-operation and Development) countries. The Health Council also monitors changes over time while exploring opportunities to improve the quality of health services and health outcomes. The reporting of these costs provides evidence for enhanced policy making and priority setting, and provides the basis for health financing reform, as indicated in the strategic goals of the Bermuda Health Action Plan 2014-2019 which complements the Bermuda Health Strategy.

Bermuda Health Strategy promotes sustainability and efficiency in respect of financing the health system through the most cost effective means and updating insurance regulation to reflect current technologies, pricing and utilization.

PRIORITIES: QUALITY & STANDARDS

Monitoring compliance of professional Boards and Councils

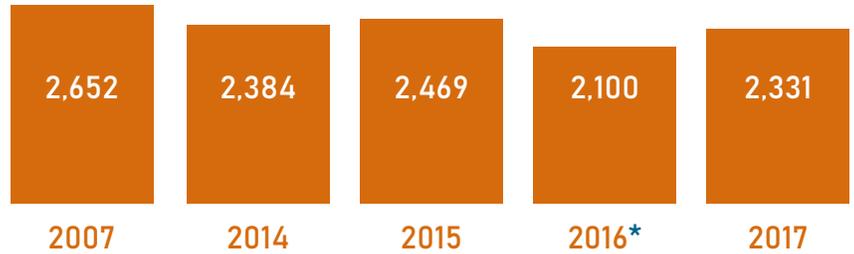
Regulated health professionals' Boards and Councils (Statutory Bodies) report annually about complaints and disciplinary procedures, board composition and registration processes.

This communication with and reporting of Statutory Bodies enables the Health Council to monitor compliance with current legislation for regulated professions and identify areas of improvement that the Statutory Bodies wish the Health Council's assistance with. The 2017 report highlighted the need for (a) public education about regulated professions, (b) strengthening the enforcement of professional standards of practice and (c) a more active role for all regulated health professionals in health system changes. In March 2018, the Health Council published its third annual Statutory Boards Self-Assessment Report which provides the details of these findings.

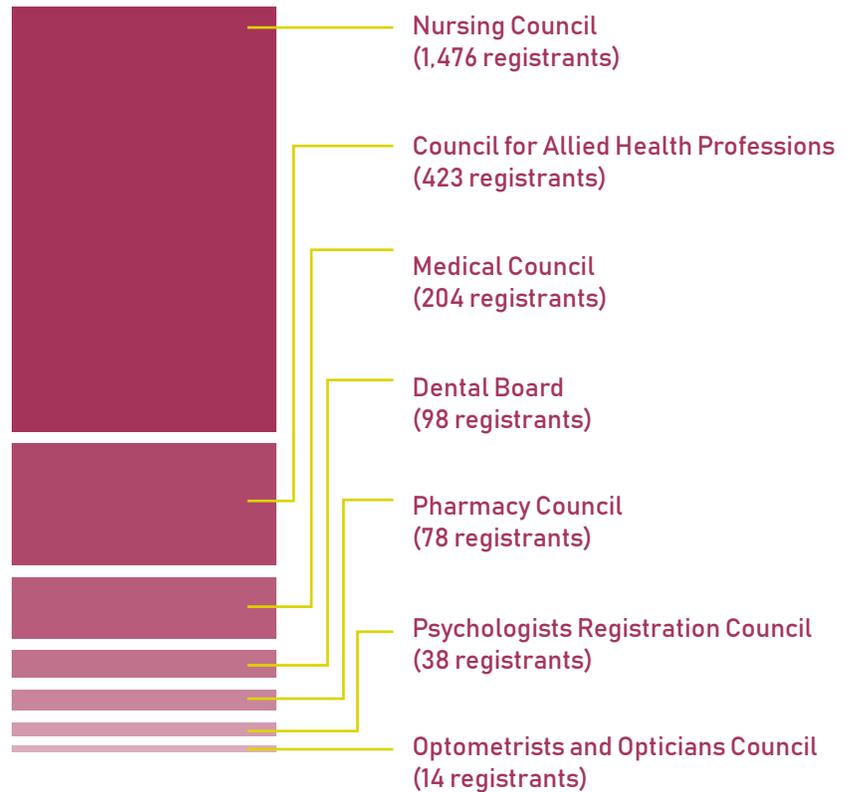
Piloting Implementation of a Unique Patient Identifier (UPI)

During 2017/18, the Health Council transitioned from the development of a UPI to piloting implementation. Use of a UPI improves quality of care and cost-effectiveness through a reduction in administrative errors, enhancing confidentiality and improving care coordination, and is a precursor to a health information exchange or electronic health record as indicated in the Bermuda Health Strategy.

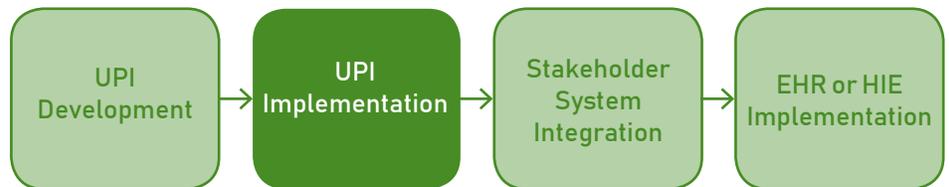
Number of registered professionals per year
* 2016 does not include professionals registered with the Dental Board



Number of professionals registered with each Statutory Body in 2017



A UPI is a unique code used in place of patient names, to identify individuals within the health system.



Health system transition to Electronic Health Record (EHR) or Health Information Exchange (HIE)

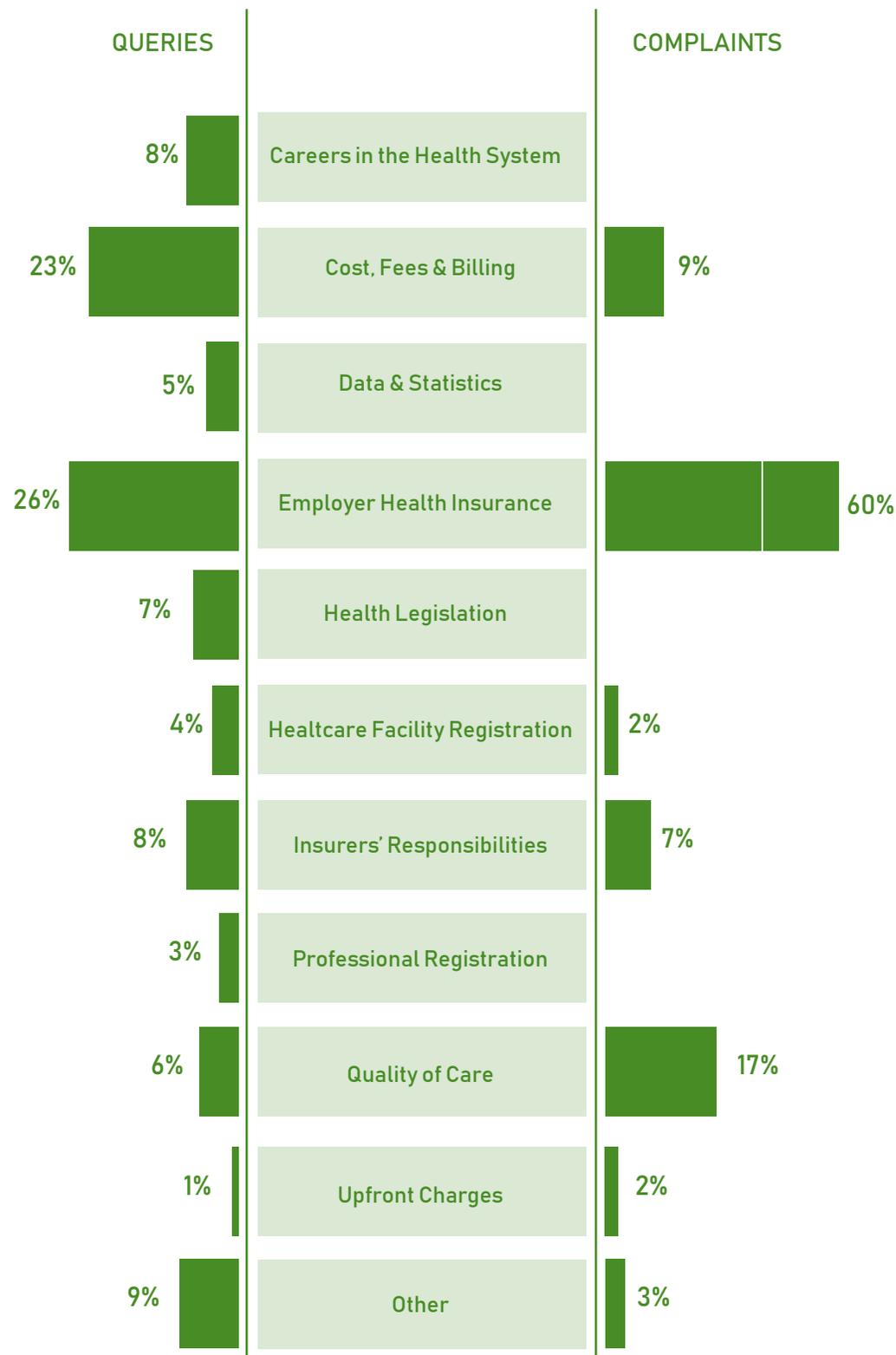
Supporting stakeholders

The Health Council actively listens to stakeholder feedback and has a formal process to track the number of complaints and queries received. This process keeps the Health Council abreast of system issues, creating opportunities to work collaboratively to identify solutions to improve care. This year, the Health Council received 57 complaints and 150 queries which provided a basis for setting our [2018/19 Corporate Plan](#) deliverables such as implementation of a drug formulary and greater enforcement of the Claims Regulations.

Encouraging innovations in health services

Health Technology Reviews (HTRs) provide an opportunity to look at what services are available on island and what additional services could benefit the population. During 2017/18, the Health Council completed 15 HTRs, drawing upon the expertise of physicians, nurses, dentists, insurers, psychologists, public health experts, policy makers, health economists, and international health agencies. Together we reviewed health service such as dialysis care, palliative care, urology services, medical massage treatment and dental services. Some examples of existing businesses that have been established and participated in the HTR process include Bermuda Life Center, Fountain Medical Group, Northshore Medical Infusion Services, Henagulph Farquhar Ltd, and Bermuda Medical Services Ltd.

Following the HTR process for a proposed health service, the Health Council published [guidance about live donor kidney transplantation](#) to encourage public discussion and patient engagement.



HTRs consider factors such as best practice standards, need for services, and cost effectiveness of existing and proposed services.

PRIORITIES: ACCOUNTABILITY

Being transparent

The Health Council believes in transparency and we are committed to providing information about health system costs, care quality and regulation. We redesigned our website (www.bhec.bm) to help the public, health service providers and health insurers access the information they need quickly and efficiently. The new website details what our team is doing behind the scenes, and provides a more user-friendly display of local health service providers, available health services, health system reports, registration and licensing information, reimbursement rates and employers who are non-compliant with the Health Insurance Act.

We also introduced Health Council Chronicles, a monthly email that gives subscribers Health Council updates and an overview of health system changes. To subscribe to the Chronicles, email healthcouncil@bhec.bm.



Encouraging engagement with the health system

In 2017/18, the Health Council continued to focus on encouraging conversations and policy direction towards enhancing the quality of care and reducing health costs.

We facilitated a site visit by the Pan-American Health Organisation (PAHO) who reported that Bermuda has the infrastructure and readiness to accommodate changes in information technology such as an electronic health record.

We conducted an online health survey completed by over 700 people which invited the public's input into what health services should be included in the SHB. Of the five areas of care, the most highly scored benefit was for preventative care in terms of necessity. We hosted a follow up town hall discussion to share the survey results and to explain the importance of investing in a holistic health system, using all five areas of care: promotive, preventative, curative, rehabilitative and palliative. The results are being considered for restructuring of SHB as part of health financing reform.

We partnered with SCARS (Saving Children and Revealing Secrets) to complete an online survey involving over 700 participants. The survey results reported that 1 in 3 persons indicated experiencing

child sexual assault¹, and the most common qualitative response topic was the need for more education for children to recognise and avoid sexual abuse risks.

We also facilitated a health student networking event to encourage students to consider careers that will help to fill the gaps in the health system. The event was attended by 35 students currently enrolled in higher education with interests in clinical, technical and administrative aspects of the health system.

We expanded our forms of communication by increasing our followers on Twitter (111 to 183), Facebook (514 to 612), and Instagram (101 to 273).

We continue to build and maintain solid relationships by meeting regularly with stakeholders and being active members of the hospital's Ethics Committee, Health Insurance Committee, Bermuda National Standards Committee, Disabilities Advisory Council, and the Bermuda College Nursing Programme Review Committee. Participation on these committees enables us to maintain awareness of a number of indirect factors influencing the success of the health system such as local research, workforce capacity and planning, patient care access and advocacy, and best practice standards.

¹ Defined as any sexual act between an adult and a minor, or between two minors, when one exerts power over the other. Forcing, coercing, persuading a child to engage in any type of sexual act. It also includes non-contact acts, such as exhibitionism, exposure to pornography, voyeurism, or communicating in a sexual manner via the phone or internet.

PRIORITIES: REGULATION

Requiring health insurance coverage

This year, we strengthened our inspections of non-compliant employers and created a more robust framework. We conducted 10 inspections in 2017/18 (five in the previous reporting period) reviewing employment records, payroll contracts and other documents relating to employee health insurance. These inspections are a means for documenting and providing evidence to determine whether an employer is compliant. Following these 10 inspections, evidence was gathered resulting in seven cases being resolved and three cases being reviewed by the Department of Public Prosecutions for prosecution. More information about the trends in employer non-compliance can be found in the [2017 Employer's Compliance Report](#).



Strengthening enforcement of the Claims Regulations

The enactment of the [Health Insurance \(Health Service Providers and Insurers\) \(Claims\) Regulations 2012](#) (the Regulations) provides a standard for health insurance claims submission and processing to ensure health service providers are paid on time for care delivery. Standards include what information must be included in a claim to ensure accurate payment for service and more efficient claims processing, and electronic claims submission.

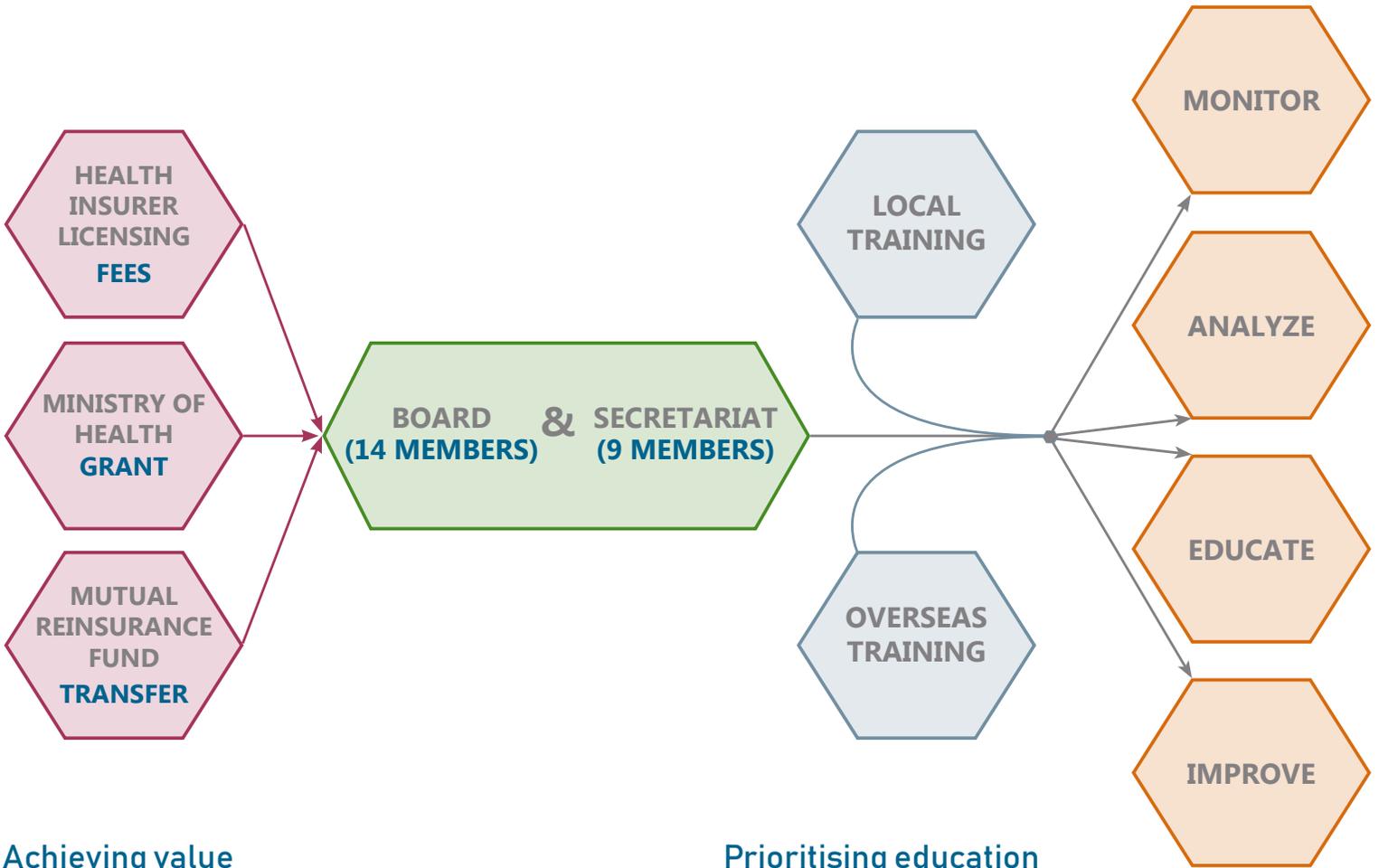


Licensing health insurers

The Health Council has an established licensing process and criteria for health insurers and approved schemes, which includes submission of information such as health insurance claims data. This provides us with valuable information about the use of local and overseas health services; and audited financial statements which detail information about insurers' and schemes' abilities to continue to provide residents with health insurance products.

The [2017 NHA](#) found that 62% of all healthcare costs are paid for by health insurers through health insurance premiums, which highlights the importance of ensuring alignment of health system policy and population health goals between insurers and providers.





Achieving value

To help us achieve our priorities and fulfil our legal mandate of regulating, coordinating and enhancing the delivery of health services, the Health Council was financed in 2017/18 by a grant from the Ministry of Health, licensing fees for health insurers, and a Mutual Re-insurance Fund (MRF) transfer. Our committed Board members and skilled team were able to complete 17 of the 22 deliverables laid out in the 2017/18 Corporate Plan. A change in policy direction and limited resources impacted our ability to complete all 22 priorities. However, the five incomplete deliverables represent components of larger projects that will carry over into the next fiscal year and are primarily related to health financing reform initiatives.

Mutual reinsurance fund is a collection of a legislated portion of all health insurance premiums used to fund health system operations and pay high cost health claims such as dialysis

Prioritising education

Education has always been a priority of the Health Council. To ensure that our team remains current with health system innovations and maintains continuing education, we encourage local and overseas training. This year we attended and presented at conferences and workshops on topics such as medical travel, health system infrastructure and financing, and the UPI. The team also presented to over 485 people in various local settings including church groups, Pecha Kucha and community forums sharing information about women's health, ethics, employer's compliance, and social determinants of health. These local events enhance community education about Bermuda's health system and empower the public as active participants in improving health outcomes.

WHO WE ARE

The Health Council is comprised of a Board appointed annually by the Minister of Health and a Secretariat of nine 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 for November 2017 to March 2018 were:

Dr Alicia Stovell-Washington, Chairman
Granville Russell, Deputy Chairman
Claudette Fleming
Dr Annabel Fountain
Sandro Fubler
Michelle Jackson
Laure Marshall
Dr Darrien Ray
Cynthia Thomas
Venetta Symonds

Appointed Board members for April 2017 to July 2017 were:

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

Ex-Officio Board members for April 2017 to March 2018 were:

Dr Jennifer Attride-Stirling, Permanent Secretary, Ministry of Health
Anthony Manders, Financial Secretary, Ministry of Finance
Dr Cheryl Peek-Ball, Chief Medical Officer
Tawanna Wedderburn, Chief Executive Officer

BERMUDA HEATH COUNCIL

FINANCIAL STATEMENTS

MARCH 31, 2018

BERMUDA HEALTH COUNCIL

Financial Statements
For the Year Ended March 31, 2018

Index

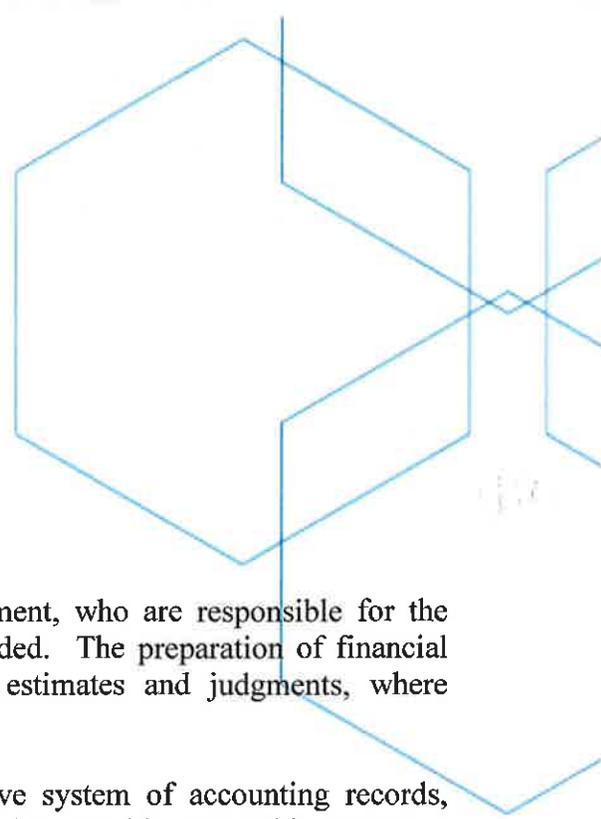
Statement of Financial Position

Statement of Operations and Accumulated Surplus

Statement of Changes in Net Financial Assets

Statement of Cash Flows

Notes to the Financial Statements



Management's Responsibility for the Financial Statements

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

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

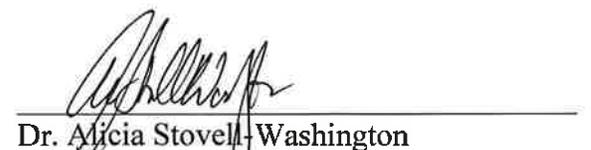
The Bermuda Health Council Board through the Audit & Governance Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Audit & Governance Committee meets periodically with management to discuss matters relating to financial reporting, internal control and audits. The financial statements have been approved by the Board members and have been examined by the Office of the Auditor General.

The accompanying Independent Auditor's Report is presented herein.

On behalf of the Bermuda Health Council



Ms. Tawanna Wedderburn
Chief Executive Officer



Dr. Alicia Stovell-Washington
Audit & Governance Committee Chairperson

May 15, 2018



Office of the Auditor General

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3 Reid Street
Hamilton HM 11, Bermuda

Tel: (441) 296-3148

Fax: (441) 295-3849

Email: oag@oagbermuda.bm

Website: www.oagbermuda.bm

INDEPENDENT AUDITOR'S REPORT

To the Minister of Health

I have audited the accompanying financial statements of the Bermuda Health Council, which comprise the statement of financial position as at March 31, 2018, 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, 2018, 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
May 15, 2018



Heather Thomas, CPA, CFE, CGMA
Auditor General

THE BERMUDA HEALTH COUNCIL
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2018

	2018	2017
	\$	\$
FINANCIAL ASSETS		
Cash and cash equivalents (Note 4)	577,981	365,898
Accounts receivable	80	-
Accrued interest	1	-
Due from the Mutual Re-insurance Fund (Note 9)	158,186	162,776
Rent deposit	<u>30,460</u>	<u>30,460</u>
	<u>766,708</u>	<u>559,134</u>
LIABILITIES		
Accounts payable and accrued liabilities	65,714	66,781
Due to the Government of Bermuda (Note 9)	35,449	32,297
Deferred revenue (Note 9)	<u>-</u>	<u>3,000</u>
	<u>101,163</u>	<u>102,078</u>
NET FINANCIAL ASSETS	<u>665,545</u>	<u>457,056</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 5)	72,229	73,335
Prepaid expenses	<u>9,872</u>	<u>14,058</u>
	<u>82,101</u>	<u>87,393</u>
ACCUMULATED SURPLUS	<u>747,646</u>	<u>544,449</u>

CONTRACTUAL OBLIGATIONS (Note 13)

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, 2018

	2018	2018	2017
	\$	\$	\$
	Budget	Actual	Actual
	(Note 12)		
REVENUES			
Government of Bermuda grant (Note 9)	799,615	799,615	799,615
Prescribed sum from the Mutual Re-insurance Fund (Note 9)	594,633	631,013	623,355
Licensing fee for insurers (Note 10)	125,000	337,500	-
Special grant (Note 9)	-	3,000	30,000
Donated services (Note 9)	-	2,950	3,300
Gain on sale of tangible capital asset	-	200	-
Other income	-	64	1,000
Interest	-	13	13
	<u>1,519,248</u>	<u>1,774,355</u>	<u>1,457,283</u>
EXPENSES			
General administration (Note 7)	1,432,937	1,401,423	1,198,901
Legal and professional services	130,200	132,900	113,420
Council meetings (Note 14)	22,850	9,150	14,100
Amortization of tangible capital assets (Note 5)	4,000	27,685	8,398
	<u>1,589,987</u>	<u>1,571,158</u>	<u>1,334,819</u>
ANNUAL SURPLUS (DEFICIT)	<u>(70,739)</u>	203,197	122,464
ACCUMULATED SURPLUS, BEGINNING OF YEAR		<u>544,449</u>	<u>421,985</u>
ACCUMULATED SURPLUS, END OF YEAR		<u>747,646</u>	<u>544,449</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, 2018

	2018	2017
	\$	\$
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>457,056</u>	<u>412,378</u>
Annual surplus	203,197	122,464
Change in prepaid expenses	4,186	(8,269)
Acquisition of tangible capital assets (Note 5)	(26,579)	(77,915)
Amortization of tangible capital assets (Note 5)	<u>27,685</u>	<u>8,398</u>
Increase in net financial assets during the year	<u>208,489</u>	<u>44,678</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>665,545</u></u>	<u><u>457,056</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, 2018

	2018	2017
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual surplus	203,197	122,464
Adjustment for items not affecting cash:		
Amortization of tangible capital assets	27,685	8,398
Gain on sale of tangible capital assets	(200)	-
Changes in non-cash working capital	7,780	9,517
Net cash provided by operating activities	238,462	140,379
CASH FLOWS FROM CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(26,579)	(77,915)
Proceeds from sale of tangible capital assets	200	-
Net cash used in capital activities	(26,379)	(77,915)
NET INCREASE IN CASH AND CASH EQUIVALENTS	212,083	62,464
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	365,898	303,434
CASH AND CASH EQUIVALENTS, END OF YEAR	577,981	365,898

The accompanying notes are an integral part of these financial statements

THE BERMUDA HEALTH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2018

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, 2018

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.

Licensing fees pertain to fees charged by the Council to health insurers and approved schemes to undertake insurance business. Licensing fees are paid based on a tiered system of Annual Gross Premium Written (“AGPW”) from previous calendar year and are recognized as revenue on the statement of operations and accumulated surplus. During the subsequent re-licensing process, the previously reported AGPW is compared with the audited AGPW and any adjustments to that previous licensing fee is billed to the health insurers and approved schemes.

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.

THE BERMUDA HEALTH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, due from Mutual Re-insurance Fund 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:

	2018	Effective Yield	2017	Effective Yield
	\$	%	\$	%
Cash at bank	445,226	-	232,999	-
Call deposit	132,755	0.01	132,899	0.01
	<u>577,981</u>		<u>365,898</u>	

THE BERMUDA HEALTH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2018

5. TANGIBLE CAPITAL ASSETS

	2018				
	Furniture & Fixtures	Computer & Tele- communications Equipment	Leasehold Improvements	Computer Software (Note 9)	Total
	\$	\$	\$	\$	\$
Opening cost	103,798	63,803	69,532	30,000	267,133
Additions	12,323	4,937	-	9,319	26,579
Disposals	(1,999)	-	-	-	(1,999)
Closing cost	114,122	68,740	69,532	39,319	291,713
Opening accumulated amortization	102,327	56,987	34,484	-	193,798
Amortization	2,249	3,869	10,014	11,553	27,685
Disposals	(1,999)	-	-	-	(1,999)
Closing accumulated amortization	102,577	60,856	44,498	11,553	219,484
Net book value of tangible capital assets	11,545	7,884	25,034	27,766	72,229
	2017				
	Furniture & Fixtures	Computer & Tele- communications Equipment	Leasehold Improvements	Computer Software (Note 9)	Total
	\$	\$	\$	\$	\$
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

THE BERMUDA HEALTH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2018

6. FINANCIAL INSTRUMENTS

The Council's financial instruments consist of cash and cash equivalents, accounts receivable, accrued interest, 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

	2018 \$ Budget (Note 12)	2018 \$ Actual	2017 \$ Actual
Salaries and employee benefits	1,120,264	1,121,003	923,193
Rent	122,760	122,983	122,724
Training and workshops	54,132	65,271	23,859
Repairs and maintenance	17,706	18,537	22,631
Land and corporation taxes	11,530	10,864	10,974
Telecommunications	15,810	10,359	12,062
Office supplies	12,913	10,174	13,114
Marketing	27,300	10,166	47,821
Electricity	10,897	8,040	7,928
General and miscellaneous	6,820	4,231	3,061
Insurance	4,050	3,900	3,955
Research and development	5,000	3,700	1,000
Entertainment	2,000	3,649	3,036
Subscriptions and memberships	2,155	3,269	1,211
Network and infrastructure	7,600	3,166	798
Bank charges	2,000	1,296	658
Printing	10,000	815	616
Postage and courier	-	-	260
	<u>1,432,937</u>	<u>1,401,423</u>	<u>1,198,901</u>

THE BERMUDA HEALTH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2018

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, 2018.

(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 significant amount outstanding at year-end, related to funds due from the Mutual Re-insurance Fund, 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, 2018

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. It is management's opinion that the Council is not exposed to significant interest rate risk.

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 (2017 - \$799,615) 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 \$631,013 (2017 - \$623,355) and the amount accrued at year-end was \$158,186 (2017 - \$162,776).

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, 2018

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	
	2018	2017	2018	2017
	\$	\$	\$	\$
Superannuation	75,654	64,625	13,956	9,824
Health Insurance	55,756	52,595	18,735	7,560
Social Insurance	16,304	14,196	2,758	3,861
Payroll Tax	-	3,242	-	11,052
	<u>147,714</u>	<u>134,658</u>	<u>35,449</u>	<u>32,297</u>

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

c) Donated services

Eight council members (2017 – three) declined the fees (\$50 per meeting) for attendance at meetings resulting in donated services of \$2,950 (2017 - \$3,300).

d) Special grant

In March 2017, the Council received a special grant of \$33,000 from the Ministry of Health (formerly 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. The deferred portion was recognized as revenue during the year upon incurring additional expenses to complete the development phase.

THE BERMUDA HEALTH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2018

10. INSURER LICENSING FEES

Effective December 20, 2017, the Council receives annual re-licensing fees from three health insurers and two approved schemes.

In September of each year, health insurers and approved schemes confirm their AGPW for the previous calendar year ending December 31. Fees are paid based on a tiered system of AGPW as mandated by the Health Insurance Amendment Act 2017 Section 5 (4) (1) and Section 6 (4) (1).

11. 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 \$75,654 (2017 - \$64,625).

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. There were no maternity and paternity leave benefits applied for or approved during the current period and therefore, no liability has been accrued in the accounts. (2017 – nil)

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, 2018 is \$37,189 (2017 - \$25,307) and is included in accounts payable and accrued liabilities.

THE BERMUDA HEALTH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

12. BUDGET

The amounts represent the revised operating budget which was approved by the Council on May 9, 2017.

13. CONTRACTUAL OBLIGATIONS

In March 2016, the Council extended the lease agreement for its office premises which expires on March 26, 2020. The remaining obligation under this lease is \$245,447 (2017 - \$368,170).

In February 2018, the Council entered into an accounting services contract which expires on December 31, 2018. The remaining obligation under this contract is \$18,000.

In March 2018, the Council entered into a three-year actuarial services contract to obtain an actuarial review of the Standard Premium Rate. The contract will expire on March 31, 2021. The remaining obligation under this contract is \$115,500.

14. COUNCIL MEETINGS

The Council members are appointed by the Minister of Health 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.

