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The first fifteen months of the operation of the Bermuda Health Council have demonstrated commitment, hope, and strength. The Health Council’s mandate to regulate, coordinate and enhance the delivery of health services has been encouraged by a myriad of stakeholders. The support of these stakeholders has set the foundation of transparency and accountability; pillars of the Health Council’s success to date. For this, I am extremely grateful.

In the role of facilitator, the Health Council and staff conducted an extensive review of regulations for health professionals and businesses, facilitated the annual physician fee schedule, completed a revision of the annual fees for Standard Hospital Benefits, coordinated process improvements related to the Health Insurance Plan (H.I.P.), and began a pharmaceutical sector evaluation. In addition, contributions have been made to the establishment of annual insurer licensing requirements in partnership with Bermuda’s health insurers.

We strive to keep the community abreast of our activities by facilitating a public relations campaign. The community has recognized our efforts to enhance health care through their compliments and words of support.

This annual report shows the exciting journey of the last fifteen months. It has been a time of hard work and commitment that has been rewarded with success.

As we move towards another exciting year, the staff of the Health Council will continue the journey to becoming a world-class body which acts as a beacon to assure quality, affordable health care and promote wellness for all.

H. Anthony Richardson, C.A.
Chief Executive Officer
Vision & Mission

Vision

To be a world-class body which acts as a beacon to assure quality, affordable healthcare and to promote wellness for all.

Mission

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

Figure 1. The Health Council’s relationship with stakeholders

Did you know the elderly population is growing faster than the total population? 1
Creation of the Health Council

Residents, government and healthcare providers have concluded that Bermuda has a good health care system that could benefit from improved coordination and cost containment measures to mitigate against the impact of healthcare inflation. The 1996 Health Care Review: Final Report (the Oughton Report), and the Bermuda Healthcare System Redesign Initiative advanced the idea that an objective body was needed to coordinate healthcare in Bermuda. Thus, in 2004, the Minister of Health, the Honourable Nelson B.A. Bascome, JP, MP, introduced the Bermuda Health Council Act 2004 to the House of Assembly.

From its inception, the Health Council was designed to be a unique entity. It began with a multidisciplinary working committee and three sub-committees (focused on governance and structure, information technology, and legislation) which commenced operations in March 2005. The working committee was responsible for establishing the Council’s governance structure and guidelines for operation. This was facilitated in partnership with IBM Global Services. Membership selection guidelines and criteria for Council membership were created.

In mid 2005, the Ministry of Health advertised for potential Council Members. Applicants were short listed and went through a vigorous interviewing process. Members were selected based upon several criteria including the ability to work within a team, definable and complementary areas of expertise, and commitment and readiness to serve the total interests of Bermuda’s community. On December 19, 2005, the Council members were appointed by the then Minister, the Honourable Patrice K. Minors, JP, MP. They assumed their duties on January 1, 2006.

In 2006, the Minister of Health, based upon nominations from individual stakeholder groups, appointed the Collaboration Committee to provide additional expert assistance to the Health Council. Members of the Collaboration Committee were chosen by specific stakeholder groups with each member delegated to advance the interests of that particular group.
Health Council Achievements

Between January 2006 and March 2007, most of the Health Council’s efforts concentrated on building the organisation, promoting good professional practice, and developing relationships within healthcare. Specific achievements are highlighted below:

Council members

- Traveled to international jurisdictions to forge links in health care.
- Formulated appeals procedures, policies and a framework for governance of the Health Council.
- Participated in the Caribbean Conference on National Health Financing Initiatives in Aruba in 2006.
- Hosted and provided consultation to the British Virgin Islands government on healthcare in 2006.

The Health Council

- Established the Collaboration Committee in March 2006.
- Employed an interim consultant to provide an overview of healthcare.
- Appointed the Chief Executive Officer in August, 2006.
- Participated in a training workshop funded by the Health Insurance Association of Bermuda (HIAB).
- Initiated a review of healthcare business and professional regulations.
- Provided consultation on proposed health related legislation.

Stakeholders

- Facilitated the annual physician fee schedule in consultation with physicians and insurers.
- Oversaw the formation of the Health Insurance Committee (replaced Hospital Insurance Commission) to fulfill the functions of the Health Insurance Plan (HIP).
- Facilitated collaborative discussions with HIAB, Ministry of Health (MOH) and Internists to establish increased fees for service.
- Coordinated process improvements with the Department of Social Insurance (DOSI).
- Established a sub committee to review the Standard Hospitals Benefits.
- Facilitated increased collaboration between the Bermuda Medical Association and the Bermuda Medical Society.

In 2001, 25% of teens (aged 11-17) were overweight. 4
**Administrative**

- Launched the Health Council web site.
- Designed the Health Council logo by facilitating a school logo competition.
- Offered summer internships for pre-med Bermudian students.
- Facilitated a workshop on healthcare costs in Bermuda.

**Community**

- Participated in insurers’ wellness fairs, nursing workshops, and the Bermuda Wellness Initiative.
- Held meetings with and offered consultative advice for statutory bodies, health providers, health professionals, insurers, professional associations, government Ministers, business consultants, non-profit groups, union representatives, and members of the religious community.

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There have been 63 road traffic deaths in Bermuda between 2000 and 2006.

Anice Mckay, winner of the Bermuda Health Council logo design.
Bermuda’s Health Care Climate

According to the 2005 Public Perception Study authored by Total Marketing and Communications, Bermuda’s residents believe that health care is good or excellent. Most also felt that their current healthcare needs are being met. However, most had concerns about the state of the healthcare system believing that fundamental changes are required. Thus in January 2006, the Health Council was appointed to regulate, coordinate and enhance health care.

In Bermuda, residents secure access to healthcare via private insurance in two primary ways - either through employment (insurance is mandatory once a person is employed) or directly with the insurer. There are a wide range of healthcare services for residents, with relatively easy access. In addition, Bermuda’s residents enjoy the benefit of access to specialized health services offered off-island. Funding for overseas care is obtained through the range of insurance coverage, special requests to the government, applying to local non-profit organizations, or funded out of pocket.

Traditionally, Bermuda residents pay an insurance premium through automatic payroll deductions. They are then able to seek medical services and the insurers reimburse the providers at rates agreed between the insurer and provider for all non-regulated fees. Regulated fees are mandated by the government. More recently, residents have been required to pay up front for certain medical services.

There is a general concern in Bermuda that the cost of healthcare is increasing in excess of general inflation. In response, there has been a systematic effort on the part of all stakeholders to coordinate health services and deliver them more efficiently. Attempts are also being made to address health services for vulnerable populations such as seniors and the unemployed. Initiatives are being implemented to promote wellness and encourage healthy lifestyles. Programmes are being developed to educate stakeholders about their respective roles in reducing healthcare costs.

The Health Council continues to develop its role in the coordination of health services and is fuelling positive healthcare outcomes. Stakeholders are collaborating more and resolutions to healthcare challenges are occurring in a timely manner. In summary, the healthcare climate in Bermuda remains optimistic.

64% of adults reported being overweight or obese in 2006.
The Bermuda Health Council Act 2004 establishes the Health Council, mandates its functions, and provides for the regulation and licensing of health service providers. Following is a summary of specific sections within the Act. Readers are encouraged to refer to the Act for details.

**Section 4**
The purpose of the Health Council is to regulate, coordinate and enhance the delivery of health services.

**Section 5**
The functions of the Health Council include:

- ensure the provision of essential health services;
- exercise regulatory responsibilities related to health services;
- regulate health service providers and health professionals;
- manage the health insurance plan;
- license insurers and health services providers;
- identify goals for the health care system;
- regulate the cost of drugs;
- promote wellness programmes; and
- conduct research and evaluate public health.

**Section 6**
The Health Council comprises between nine and 11 members all of whom are appointed by the Minister of Health (including the Chairperson and Deputy Chairperson). In addition, the Financial Secretary, Permanent Secretary of the Ministry of Health, Chief Medical Officer and CEO of the Health Council sit as ex-officio members.

**Section 7**
The Minister of Health provides policy directions to the Health Council on matters relating to the performance of its functions.

**Section 9**
The Chief Executive Officer is appointed by the Health Council with the approval of the Minister of Health.

**Sections 11 & 12**
The Health Council is required to submit annual financial accounts to the Auditor General and an annual report to the Minister of Health which will be presented to the Legislature.

**Sections 13 – 16**
The Health Council shall license all health providers using inspectors, designated as such by the Minister, to inspect premises of health providers. The Minister of Health, after consultation with the Health Council, shall make regulations to govern the process of licensing health providers and inspecting their premises. This will include establishing fees.

**Section 17 & 18**
The Health Council and staff must maintain confidentiality and Council members are granted immunity for anything done in good faith in the exercise of their functions.
2007 - 2008 Goals

The Health Council is committed to regulating, coordinating and enhancing healthcare services in Bermuda. In pursuit of this, the goals for 2007 - 2008 are geared towards educating the public and stakeholders about their responsibilities in the healthcare arena. Goals for 2007 - 2008 are to:

- Continue the review of the current system of healthcare regulations for professionals and businesses, identify gaps to service delivery and make legislative recommendations.

- Conduct a thorough review of the processes related to the Standard Hospital Benefit Program and offer recommendations for increased efficiency.

- Develop appropriate criteria and provide an efficient process for granting annual licenses to insurance companies and insurance undertakings.

- Examine and recommend changes to the current model of funding overseas treatment for the uninsured and underinsured; specifically, conduct a review of the Lady Cubbitt Compassionate Association (L.C.C.A.). The L.C.C.A. is a major participant in providing assistance for Bermuda’s residents who are uninsured or underinsured.

- Explore the incidence and impact of insured clients paying for healthcare services in full at the time of service delivery.

- Conduct a review of the current management model of the Health Insurance Plan.

44% of seniors rate their health as very good or excellent, in relation to others their age.
Decision Criteria

The Health Council has established five criteria to guide its decision making: quality management, cost effectiveness and cost awareness, collaboration, accessibility, and integration. Each decision criteria is summarised below:

**Quality management**
An assessment of whether health service decisions will enhance the quality of care for consumers.

**Cost effectiveness and cost awareness**
Costs relate to both money and resources. Cost effectiveness pertains to the cost/benefit consideration of the services being provided. Cost awareness incorporates understanding the level of care desired by consumers and the consideration of attendant costs related thereto.

**Collaboration**
The extent to which elements of healthcare form a partnership of cooperation yet remain distinct entities. For example, an insurer, the hospital, and a doctor’s office operate independently yet rely on a partnership to deliver the best possible healthcare for the patient.

**Accessibility**
Every Bermuda resident should have access to the maximum number and variety of health services.

**Integration**
The degree to which elements of the healthcare system interact in a seamless manner. Examples include private and public sectors, traditional and non-traditional, and wellness versus curative.
Members of the Health Council

The Bermuda Health Council had 11 ordinary members and five ex officio members serve between January 1, 2006 and March 31, 2007. All Council members have experience in healthcare related services and were appointed by the Minister of Health. Council members include:

**Dr. Michael D. Bradshaw**, Chairman, is a private educational consultant. With a Masters Degree in Biological Science and a Doctorate in Community College Leadership, Dr. Bradshaw has more than 20 years experience as a college professor of science and as an administrator.

**Ms. Lucille Parker**, the Deputy Chairman, is a retired health professional currently serving as Registrar of the Bermuda Nursing Council. With a Masters Degree in Nursing from New York University, Mrs. Parker has a total of 37 years of hospital experience in nursing.

**Dr. Femi Bada** is a family physician. A graduate of the University of Bristol, Dr. Bada has 37 years of medical practice experience. In addition, Dr. Bada has been a university lecturer and a National Health Service practitioner in the U.K.

**Ms. Jane Barnes** is a case manager at Sunlife Assurance Company of Canada. A registered nurse and graduate of Dalhousie University, Ms. Barnes has certifications in medical surgical nursing and healthcare management. She has been the medical case manager at BF & M and the Bermuda consultant for Active Claims Management.

**Mrs. Antoinette Bolden** is a Chartered Accountant. A graduate of York University, she has extensive experience in insurance, re-insurance, investments and trade. She has served as Chairperson of the Hospital Insurance Commission, is a member of the Bermuda Chamber of Commerce and a Director of Public Funds Investment Committee of Bermuda. (Served on the Health Council between January 2006 and February 2007)

**Dr. June Hill** is a consultant paediatrician. A graduate of the University of the Toronto and with more than 25 years of medical practice experience, Dr. Hill has been the Chief of Paediatrics, Chief of Medical Staff, a member of the Bermuda Medical Council and the first chairperson of the Child Protection Team.

**Dr. Jewel Landy** is a Dental Surgeon. Dr. Landy has Masters Degrees in both Management and Human Resources and a Doctorate of Dental Surgery. Dr. Landy has had more than 12 years in private dental practice including within the hospital setting.

**Ms. Linda A. Merritt** is the Assistant Vice-President of Marketing at the Argus Group. She possesses over twenty-five years of health insurance industry experience in the United States, in senior level positions. She has a Bachelor of Arts Degree in Business and Communication and professional insurance designations.
Mr. D. Mark Selley is the owner operator of Selley’s Boat Trailer Service. Mr. Selley founded the Bermuda Healthcare Consortium and the Bermuda Stroke and Family Support Association, has served as the Chairperson of the Bermuda Water Safety Council, is a member of the Misuse of Drugs Advisory Board and organised the annual Christmas party for special needs persons.

Mrs. Sharol Simmons is a retired social worker. A graduate of Hunter College, Ms. Simmons has qualifications in hospital management. She has served as Director of Teen Services, Executive Officer of C.U.R.E. and has extensive experience working with diverse patient populations within healthcare. (Served on the Health Council between January 2006 and April 2007).

Dr. Steven Trott is an orthopaedic surgeon. A graduate of McGill University, Dr. Trott has over 14 years of surgical experience. He has served as past president of the Bermuda Medical Association, has been appointed to various government Boards and Committees, and was a member of the steering committee for the Bermuda Health Summit.

Dr. John Cann, ex-officio member, is the Chief Medical Officer for the Ministry of Health. He is a graduate of Howard University. Dr. Cann has more than 27 years experience in medicine, public health and public health leadership.

Mr. Warren W. Jones, ex-officio member, is the Permanent Secretary for the Ministry of Health. He is a graduate of the University of Maine. Mr. Jones has more than 15 years experience as a senior manager. (Serving on the Health Council from December 2006 to present).

Mr. Kevin Monkman, ex-officio member, was the Permanent Secretary of the Ministry of Health. He is a graduate of the University of Florida. Mr. Monkman is a long standing career civil servant with experience in entomology, plant protection and acarology. (Served on the Health Council from January 2006 to November 2006).

Mr. H. Anthony Richardson, ex-officio member, is the CEO for the Bermuda Health Council. He is a graduate of Acadia University and holds the Chartered Accountant designation. Mr. Richardson is a former senior civil servant with experience in banking and 13 years experience in the health care industry.

Mr. Donald A. Scott, ex-officio member, is the Financial Secretary for the Ministry of Finance. He is a graduate of Dalhousie University. Mr. Scott has over 20 years experience as a senior manager and executive in the Civil Service.

Did you know 72% of adults watch TV for 2 or more hours per day?
Collaboration Committee

The Collaboration Committee comprises representatives from stakeholder groups and works with the Bermuda Health Council to improve collaboration within the healthcare system. The primary objective of the Collaboration Committee is to provide additional expert advice to the Council.

**The role of the Collaboration Committee is to:**
- identify areas where greater collaboration is needed in the healthcare sector;
- develop a framework for collaboration in these areas; and
- liaise with the Health Council and provide feedback.

During the period of this report, the following persons were members of the Collaboration Committee:

- **Chairperson** - Mr. H. Anthony Richardson
- **Ministry of Finance** - Mr. Anthony Manders
- **Ministry of Health** - Ms. Rosheena Masters
- **Allied Health Professions** - Ms. Shirlene Dill
- **Bermuda Hospitals Board** - Ms. Patrice Dill and Ms. Judy Richardson
- **Dentists** - Dr. Ian Campbell
- **Employers** - Mr. Martin Law
- **Insurers** - Ms. Gina Bradshaw
- **NGOs** - Ms. Judy Panchaud White
- **Non-regulated Practitioners** - Ms. Susan Mayall
- **Nurses** - Ms. Barbara Astwood
- **Optometrists** - Dr. Gerard Bean
- **Pharmacists** - Ms. Lynanne Bolton
- **Pharmacy Owners** - Mr. George Grundmuller
- **Physicians** - Dr. Wesley Miller
- **Unions** - Ms. Golinda Fox

Staff

The Health Council is staffed by five employees who conduct research, provide project management, collect and collate healthcare data, disseminate public information, make health care recommendations, liaise with stakeholders and assist in the fulfillment of the general purpose of the Health Council to regulate, coordinate and enhance the delivery of health services. The Health Council also employs a number of consultants as needed including IBM, Profiles of Bermuda, and Mangrove Consultants Limited.
Acknowledgements

The Health Council recognizes that establishing a new legal entity requires significant, collective effort by many individuals. In this regard we acknowledge the invaluable assistance provided by the following individuals who were instrumental in the establishment of the Health Council:

Mrs. Delia Basden  
Ms. Patricia Bolton  
Mr. Nigel Campbell  
Dr. John Cann  
Ms. Karen J. Daniels  
Mrs. Joan Dillas-Wright  
Mrs. Dawnika Ebbin  
IBM consultant team  
Mr. David Kendell  
Mr. Anthony Manders  
Mr. Kevin Monkman  
Mr. John Payne  
Mr. Roderic Pearman  
Ms. Joy Simmons  
Mr. George Spurling  
Ms. Luelle Todd  
Ms. Shivon Washington  
Mr. Livingston Wedderburn

November 2006 Public Forum Presenters:

Mr. Collin Anderson  
Mrs. Cindy Campbell  
Mr. William DeSilva  
Senator Alfred Oughton

We now look to the future and the assistance of all healthcare stakeholders.
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, 2007 and the statements of operations, changes in net assets, and cash flows for the period from July 20, 2005 (Commencement of Operations) to March 31, 2007. 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, 2007, and the results of its operations and its cash flows for the period from July 20, 2005 (Commencement of Operations) to March 31, 2007 in accordance with accounting principles generally accepted in Bermuda and Canada.

Hamilton, Bermuda
July 4, 2008

Larry T. Dennis, C.A.
Auditor General
# BERMUDA HEALTH COUNCIL
## STATEMENT OF FINANCIAL POSITION
### MARCH 31, 2007

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents (note 2 (a))</td>
<td>1,391,667</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>2,050</td>
</tr>
<tr>
<td>Other assets</td>
<td>43,786</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,437,503</td>
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<tr>
<td><strong>CAPITAL ASSETS (note 4)</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,502,260</td>
</tr>
</tbody>
</table>

| LIABILITIES AND NET ASSETS                  |       |
| **CURRENT LIABILITIES**                    |       |
| Accounts payable and accrued liabilities    | 47,398 |
| Due to the Government of Bermuda            | 10,344 |
| Due to the Department of Social Insurance   | 35,663 |
| **Total**                                   | 93,405 |
| **DEFERRED CAPITAL CONTRIBUTIONS (note 5)** |       |
| **Total**                                   | 158,162 |

| NET ASSETS                                  |       |
| Net assets invested in capital assets       | 64,757 |
| Restricted for Department of Social Insurance | 35,663 |
| Unrestricted net assets                     | 1,243,678 |
| **Total**                                   | 1,344,098 |
| **Total**                                   | 1,502,260 |

The accompanying notes are an integral part of these financial statements.
BERMUDA HEALTH COUNCIL  
STATEMENT OF OPERATIONS  
FOR THE PERIOD FROM JULY 20, 2005  
(COMMENCEMENT OF OPERATIONS) TO MARCH 31, 2007

<table>
<thead>
<tr>
<th>REVENUES</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government of Bermuda grant (note 6)</td>
<td>2,157,127</td>
</tr>
<tr>
<td>Donated services (note 6)</td>
<td>70,642</td>
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<tr>
<td>Amortization of deferred capital contributions</td>
<td>28,940</td>
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<tr>
<td>Interest</td>
<td>6,532</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>2,263,241</strong></td>
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</table>

<table>
<thead>
<tr>
<th>EXPENSES</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Legal and professional fees</td>
<td>315,396</td>
</tr>
<tr>
<td>Salaries and employee benefits</td>
<td>234,955</td>
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<tr>
<td>Rental expenses</td>
<td>198,121</td>
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<tr>
<td>Amortization of capital assets (note 4)</td>
<td>28,940</td>
</tr>
<tr>
<td>Training and workshops</td>
<td>26,036</td>
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<tr>
<td>Office supplies</td>
<td>24,897</td>
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<tr>
<td>Board member fees (note 6)</td>
<td>22,825</td>
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<tr>
<td>Conferences and meetings</td>
<td>14,396</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>14,206</td>
</tr>
<tr>
<td>Electricity</td>
<td>12,309</td>
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<tr>
<td>Telecommunications</td>
<td>10,053</td>
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<tr>
<td>Marketing</td>
<td>4,077</td>
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<tr>
<td>Miscellaneous</td>
<td>12,932</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>919,143</strong></td>
</tr>
</tbody>
</table>

**EXCESS OF REVENUES OVER EXPENSES**  
$1,344,098

*The accompanying notes are an integral part of these financial statements.*
<table>
<thead>
<tr>
<th></th>
<th>1/3/06</th>
<th>1/3/05</th>
<th>1/3/05</th>
<th>1/3/05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of</td>
<td>13,440,098</td>
<td>13,436,788</td>
<td>13,563</td>
<td>14,757</td>
</tr>
<tr>
<td>period</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Capital asset investment</td>
<td>14,337</td>
<td>43,697</td>
<td>50,000</td>
<td>0.000</td>
</tr>
<tr>
<td>Department of social</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>insurance fees</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(loss)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted net assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
BERMUDA HEALTH COUNCIL
STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM JULY 20, 2005
(COMMENCEMENT OF OPERATIONS) TO MARCH 31, 2007

<table>
<thead>
<tr>
<th>Cash Flows From Operating Activities</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excess of revenues over expenses</td>
<td>1,344,098</td>
</tr>
<tr>
<td>Amortization of capital assets</td>
<td>28,940</td>
</tr>
<tr>
<td>Amortization of deferred capital contributions</td>
<td>(28,940)</td>
</tr>
<tr>
<td>Changes in non-cash working capital:</td>
<td></td>
</tr>
<tr>
<td>Increase in prepaid expenses</td>
<td>(2,050)</td>
</tr>
<tr>
<td>Increase in other assets</td>
<td>(43,786)</td>
</tr>
<tr>
<td>Increase in accounts payable and accrued liabilities</td>
<td>47,398</td>
</tr>
<tr>
<td>Increase in due to the Government of Bermuda</td>
<td>10,344</td>
</tr>
<tr>
<td>Increase in due to the Department of Social Insurance</td>
<td>35,663</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>1,391,667</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash Flows From Investing Activities</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of capital assets</td>
<td>(93,697)</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(93,697)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash Flows From Financing Activities</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital grant</td>
<td>50,000</td>
</tr>
<tr>
<td>Contributions used for capital assets</td>
<td>43,697</td>
</tr>
<tr>
<td>Net cash generated through financing activities</td>
<td>93,697</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents being cash and cash equivalents</td>
<td>1,391,667</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
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 period. 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, 2007.

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 include 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 period 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.
2. SIGNIFICANT ACCOUNTING POLICIES (continued)

   c) Specific grants

   Grants received by the Council for purposes other than for capital or operating expenses, 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.

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
<th>Accumulated Amortization</th>
<th>Net Book Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture and fixtures</td>
<td>45,923</td>
<td>9,283</td>
<td>36,298</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>27,339</td>
<td>9,625</td>
<td>18,056</td>
</tr>
<tr>
<td>Computer and telecommunications equipment</td>
<td>20,435</td>
<td>10,032</td>
<td>10,403</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>93,697</strong></td>
<td><strong>28,940</strong></td>
<td><strong>64,757</strong></td>
</tr>
</tbody>
</table>

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 period are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of period</td>
<td>-</td>
</tr>
<tr>
<td>Add: capital grant</td>
<td>50,000</td>
</tr>
<tr>
<td>Add: transferred from operating grant (note 6(a))</td>
<td>43,697</td>
</tr>
<tr>
<td>Less: amount amortized to revenue</td>
<td>(28,940)</td>
</tr>
<tr>
<td>Balance, end of period</td>
<td>64,757</td>
</tr>
</tbody>
</table>

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. During the period ended March 31, 2007, 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 $2,200,824 in the period to cover the operations of the Council. $43,697 of this grant was utilized for capital acquisitions and has been recognized as deferred capital contributions.

(b) Capital grant

The Government of Bermuda provided the Council with a capital grant of $50,000. The entire grant was utilized for the acquisition of capital assets.
6. RELATED PARTY TRANSACTIONS (continued)

(c) Specific grant

The Government of Bermuda provided the Council with $50,000 specifically to provide assistance to the Department of Social Insurance in establishing their Washington Mall office. As at March 31, 2007, a total of $14,337 of these funds had been used.

The Government of Bermuda also provided the contribution of staffing resources, recorded as donated services, in the amount of $70,642.

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

During the period the Council paid members of the Board fees in accordance with the Government Authorities (Fees) Act 1971. Total fees were $22,825, of which $1,650 was unpaid as at March 31, 2007, 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 and 4% will be contributed by the employee. During the period ended March 31, 2007 the Council expensed contributions of $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.
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 are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$200,204</td>
</tr>
<tr>
<td>2009</td>
<td>$200,204</td>
</tr>
</tbody>
</table>

Total: $400,408
In 2005, the leading cause of death in Bermuda was circulatory illnesses such as heart attack, stroke, and hypertension.