HEALTH SERVICES AUTHORITY
CAYMAN ISLANDS
Caring People. Quality Service.

Building Excellence in Every Patient Experience

ANNUAL REPORT 2018

Contents

About Us

The Cayman Islands Health Services Authority provides care through the 124-bed Cayman Islands Hospital (104 inpatient and 20 observation beds) and the 18-bed Faith Hospital on Cayman Brac. Ancillary services are offered at district health centres, and clinics for dental and eye care.

Mission

The Mission of the Health Services Authority is to provide the highest quality healthcare and improve the well-being of people in the Cayman Islands through accessible, sustainable patient-focused services by highly-skilled, empowered and caring staff in collaboration with our partners.

Core Values

We believe that caring and compassionate personal behaviors are at the core of our organization's commitment to delivering quality patient focused care. By making an official commitment to practice these values, we reinforce them, acknowledge that they are expected behaviors and encourage our fellow employees to practice them diligently.

- **Respect**
- **Responsibility**
- **Integrity**
- **Caring**
- **Excellence**

Cayman Islands Health Services Authority

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Cayman Islands

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ABOUT THIS REPORT
2018 ANNUAL REPORT

This Annual Report is for the Cayman Islands Health Services Authority (the 'HSA').

The report has been prepared in accordance with the requirements stipulated in the Public Management and Finance Law (2018 Revision) for Statutory Authorities and Government Companies. It outlines the HSA's performance during the period from January 1st, 2018, to December 31st, 2018 and compares it to the actual performance for the preceding period.

The requirement for an Annual Report is prescribed under section 52 of the Public Management and Finance Law (2018 Revision) (PMFL). Section 52 states:

(1) In respect of each financial year, each statutory authority and government company shall prepare an annual report.

(2) An annual report shall report the performance of the authority or company and compare it with that proposed in the ownership agreement for that financial year and shall include -

*(a) a summary of the **nature and scope of the activities** of the authority or company during that financial year;*

*(b) a summary of the extent to which the **strategic goals and objectives** of the authority or company described in the annual ownership agreement were achieved;*

*(c) a summary of the extent to which the **ownership performance targets** set out in the authority's or company's annual ownership agreement for that financial year have been achieved in that financial year;*

(d) for the financial years -

(i) 2004/5 to 2007/8, unaudited financial statements; or

*(ii) 2008/9 and onwards, **audited financial statements**, which shall be prepared on a basis consistent with the forecast financial statements in the authority's or company's annual ownership agreement for that financial year and contain the statements and information set out in Schedule 4.*

*(e) the amount of any **equity investment** made by the Cabinet in the authority or company during the financial year;*

*(f) the amount of any **capital withdrawals** made by the Cabinet from the authority or company during the financial year;*

*(g) the amount of any **dividends or profit distributions** paid by the authority or company during the financial year;*

*(h) the amount of any **loans** to the authority or company by the Cabinet during the financial year; and*

*(i) details of any **guarantees** relating to the authority or company made by the Cabinet during the financial year.*

(3) The financial statements referred to in subsection (2)(d) shall be prepared within two months of the end of the financial year.

(3A) The financial statements referred to in subsection (2)(d)(ii) shall be submitted to the Auditor General for auditing, and the Auditor General shall express an opinion within two months of receipt of the financial statements.

(4) The annual report shall be presented to the Cabinet by the relevant minister or official member no later than four months after the end of the financial year.

This annual report complies with the requirements of the PMFL and covers three main areas:

- Service Delivery;
- Financial performance; and
- Governance.

The service delivery section outlines the contributions made by the HSA in furtherance of the Government's policy outcome goals. It also provides commentary which explains material variances in performance when compared to budget.

The financial performance section shows the financial resources the HSA was afforded in the 2018 budget and the inputs purchased to provide services. The financial performance is presented in the form of financial statements prepared in accordance with International Financial Reporting Standards and the supporting notes to those financial statements.

The report also includes a section on Governance which outlines the HSA's efforts in the areas of risk management, and compliance with various statutory requirements

Overview

This chapter summarizes the Organisation's overall responsibilities, describes the functions and activities of the HSA, and shows the organisational structure.

Outcomes & Achievements

The HSA's accomplishments are grouped according to key strategies, and detailed explanations on key objectives achieved over the period are provided.

Human Resource Management

This section reports on key information and statistics relating to the HSA's work force.

Financial Statements

This section includes the Auditor General's report, a Management Discussion and analysis of the financial results for the HSA over the period, and the corresponding statements of Financial Position, Performance and Net Worth.

Appendices

This chapter summarizes major laws impacting the departments within the HSA and other information regarding risk and requests under the Freedom of Information framework.

Contact Information

Telephone and website information is provided for each department in the Organisation.

Our Highlights in 2018

Clinical Excellence is the core premise for every patient encounter at the HSA.

In our strive for this excellence, we seek to deliver the very best clinical outcomes by exceeding international standards for the delivery of safe, efficient and effective patient care.

This quest has defined our journey for over 80 years and is our solemn promise to every patient we are privileged to treat.

Achieved

144-Days Cash Reserves

Reduced Overtime by 24%

thanks to improved recruitment processes and cost controls

Established a

Compliance Unit

with focus on the Revenue Cycle

Established a

Patient & Family Advisory Committee

Achieved

Joint Commission International Accreditation

of the Faith Hospital Lab

Implemented

Designated Parking for the Elderly

Developed a

Comprehensive Master Facility Plan

Introduced a

Recycling Programme

Recruited an

Interventional Radiologist

Initiated a monthly

Radio Interview Initiative to create awareness of the HSA's services

Implemented a

Diabetic Education Clinic


Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec

At A Glance

Financial Performance Measures	2018 Target	2018 Actual
Revenue from Cabinet	91,615,922	104,092,871
Revenue from ministries, portfolios, statutory authorities, government companies	14,394,290	14,392,718
Revenue from others	697,350	1,290,148
Total Revenue	106,707,562	119,775,737
Expenses	106,370,062	119,284,265
Surplus	**337,500**	**491,472**

Net-Worth	2018 Target	2018 Actual
Net Worth	97,888,351	(7,337,542)

Cash Performance	2018 Target	2018 Actual
Cash Flows from Operating activities	5,422,743	13,116,884
Cash Flows from investing activities	(3,500,000)	(22,392,939)
Cash Flows from Financing activities	-	-
Change in cash balances	**1,922,743**	**(9,276,055)**

Financial Performance Ratios	2018 Target	2018 Actual
Current Assets: Current Liabilities	2.10:1	5.46:1
Total Assets: Total Liabilities	4.92:1	0.95:1

Human Capital Measures	2018 Target	2018 Actual
Total full Time Equivalent Staff Employed	933	881

Physical Capital Measures	2018 Target	2018 Actual
Value of total assets	122,867,833	143,340,657
Asset replacements: total assets	3.42%	2.27%
Book value: initial cost	68.86%	69.97%
Depreciation: cash flow on asset purchases	97.71%	142.91%

Message from the Chairman

"I would like to recognize and thank our customers for their patience and support as we grow from strength to strength in pursuit of excellence."

Keeping the patient at the focal point of every decision

Looking back at the results of 2018, I am very pleased with the growth the Health Services Authority achieved, and the positive impacts made toward building excellence in the experience of our patients through improved access to quality healthcare and better health outcomes.

Continued confidence in our organization is a key tenet of our governance philosophy. We recognize that confidence among our customers and key stakeholders is a privilege earned through consistent service delivery at the highest standards, and requires the demonstration of probity and effective stewardship at every level of the organization.

To this end, the Board applauds the organization's achievement of a clean audit opinion on the 2018 financial statements, and supports further efforts to attain clinical quality certification through JCI accreditation.

The achievement of a clean audit, and the goal for clinical certification both contribute to increased confidence in the HSA, the quality of our systems, and our care delivery processes.

The Board also supports innovative strategies for Telehealth medicine, and expanded services for bariatric, maternal & child health, and interventional radiology. These strategies will allow us to deliver expanded care by leveraging technology as a key component of our care delivery model as we work to address our urgent facility expansion needs.

The commission of a 30-year Master Facility plan that was accepted by the Board, the Ministry, and the Cabinet, was an important milestone for the HSA and the sustainable growth of our services.

As a first step towards the execution of that plan, in 2018, the Board supported the procurement of the second-floor of the Smith Road Centre, and two units on the first-floor. The second-floor space will be used for the relocation and expansion of our General Practice clinic, while the first-floor units will be used for the expansion of our Pharmacy services.

We were encouraged by several measures the organization undertook to enhance the internal control framework in 2018, including the implementation of policies to ensure major investments are supported by fully argued business cases; investing in technology to improve accuracy and efficiency; and strengthening the framework for overtime management and fee collections.

These efforts resulted in a decrease in overtime costs of approximately 24%; a decrease in the 2018 provision for bad debts; and an overall positive financial year end result.

On behalf of the Board, I would like to express our sincere thanks to our Ministry for their continued support, and to the management and staff for their continued hard work and dedication. Most importantly, I would like to recognize and thank our customers for their patience and support as we grow from strength to strength in pursuit of excellence.

Sincerely

Jonathan Tibbetts
Chairman

Message from the Chief Executive Officer

"Healthcare is a very difficult field with multiple challenges and increasing expectations, but it is truly the most gratifying."

Keeping our Promises

Our 2018 healthcare journey began with our annual budget and the twelve promises we made to our shareholders and customers. Those promises signified our commitment to excellence in patient experience through material improvements along the continuum of care.

In 2018, we recorded 419,000 outpatient visits across all three Islands. Faith Hospital saw an 11% increase, while facilities on Grand Cayman saw an average increase of 8%.

The 2018 experience is synonymous with growth patterns noted in prior years, and is primarily the result of population expansion and aging. To strategically address this continual increase in patient demand, we commissioned a Master Facility plan in 2018 to inform our facility improvement and expansion needs for the next 30 years.

A key component of the plan will be the development and expansion of facilities outside the main Cayman Islands Hospital Campus. This includes a mini-hospital in Bodden Town, acquisition of additional space at the Smith Road Centre, and expansion to our facilities on Cayman Brac.

While the limited existing plant asset may sometimes be viewed as a constraining factor, we have embraced it as a catalyst for innovation and improved efficiencies. Led by our facilities team, several enhancements were realized in 2018 to deliver on our promise for better facilities, expanded services, and quality improvements throughout the patient journey.

You will read about these exciting improvements in this annual report as we share some of the more notable changes undertaken to ensure continued access to quality affordable healthcare in all key areas of diagnosis and therapy.

In many ways, 2018 was a record setting year for the HSA. We recorded our highest levels of average monthly patient encounters; we achieved Joint Commission International (JCI) accreditation for our Laboratory at the Faith Hospital; we continued our trend of healthcare leadership by performing the first meniscus repair surgery in the region; and we received our first unmodified audit opinion since becoming an Authority.

Healthcare is a very difficult field with multiple challenges and increasing expectations, but it is truly the most gratifying.

With the support of our Ministry and Board, I was also very pleased with the progress made in addressing the long-standing issue of pay stagnation at the HSA. The approved changes to personnel emolument offered a significant boost to our amazing staff who are our primary instrument for delivering excellence.

As our organization, and the people we serve grow, our philosophy of care has remained steadfast – to welcome family and friends in a patient centered care environment, staffed by experienced and caring providers who understand the unique needs of each customer.

We are truly grateful for the support of our community, patients, partners, and families, who continue to trust the Health Services Authority with the care of their health and well-being. It is a privilege that we hold dear, and the reason we continuously strive to ensure excellence in the experience of every patient.

Sincerely

Lizzette Yearwood, MMH, JP
CEO

1 Overview


Date: Nov 22, 2016
TH SERVICES AUTHORITY CI$ 950.00
HUNDRED + FIETY
TRANSPORT INCUBATOR
AUTHORISED SIGNATURE

‘We started our journey in 1937 with the opening of the first hospital in the Cayman Islands. It was a modest 4-bed hospital in what is now the present Immigration building. We had one physician and four nurses, who were responsible for taking care of the full healthcare needs of the Cayman Islands population.

Some 82 years later, we are still taking care of our Islands’ healthcare needs, and have grown to become the premiere healthcare provider in the Cayman Islands.

We now serve a population of over 65,000 residents, offering over 45 inpatient and outpatient medical services, from seven locations across all three Islands.’

HEALTH SERVICES AUTHORITY
CAYMAN ISLANDS
Caring People. Quality Service.

Organizational Structure

BOARD OF DIRECTORS

Board Operations Officer
Angelee Beersingh

Internal Audit Unit
Cayman Islands Government

Chief Executive Officer
Lizzette Yearwood

Personal Assistant
Angella Berry

FOI Manager
Sharaine Chin

Medical Director
Delroy Jefferson

- Medical Staff Credentialing
- Emergency Medical Services
- Eye Clinic
- Clinical Support Services
- Patient Referrals

Chief Operations Officer
Caswell Walford

- Business Development
- Public Relations
- Facilities Management
- Maintenance
- Security
- Housekeeping
- Laundry
- Bio-Medical Services

Director of Primary Health Care/Medical Officer of Health (Actg.)
Samuel Williams

- Primary Health Care Services
- Health Promotion
- Liaison with International Organizations
- Communicable Disease Surveillance & Control
- Public Health Inspection
- Dental Services

Director of Corporate Services
Vinton Douglas

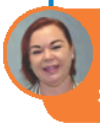
- Strategic Planning
- Quality Assurance
- Disaster Planning & Management
- Infection Prevention & Surveillance
- Patient Services/Complaints Management
- Risk Management & Mitigation
- Health Information Management
- Occupational Health & Safety
- Compliance

Chief Financial Officer
Dawn Cummings

- Accounts
- Budget
- Payroll
- Patient Financial Services
- Procurement
- Materials Management

Chief Nursing Officer
Hazel Brown

- Nursing Services
- Porter Service



Chief Human Resources Officer
Samantha Bennett

- Human Resources
- Labour Relations
- Training & Development
- Volunteer Programme
- Internship Programme
- Wellness

Chief Information Officer
Keith Higgins

- Information Systems
- Telecom
- Switchboard
- Call Centre
- Statistics

Director of Sister Islands Health Services
Srirangan Velusamy

- Faith Hospital
- Little Cayman Clinic

Board of Directors

Jonathan Tibbetts
Board Chairman
Acting Clinical Sub-Committee Chairman
Jonathan Tibbetts is a General Manager at Cayman Brac Power and Light Co. Ltd. Mr. Tibbetts is a graduate of the University of South Florida.

Rolston Anglin, JP
Deputy Chairman
Audit and Infrastructure Sub-Committee Chair
Rolston Anglin is an honours graduate from The Ohio State University. He is a qualified accountant and worked at PricewaterhouseCoopers in Cayman and New York. He previously served three terms as a Member of the Legislative Assembly and is a former Deputy Premier and Minister in Cabinet.

Andre Scott
Representative for the Financial Secretary, CI Government
The Financial Secretary is currently represented on the Board of Directors by Andre Scott who is the Manager of the Entire Public Sector Reporting Unit in the Treasury.

Jaron Leslie
Patient Safety & Risk Management Committee Chairman
Jaron Leslie is a qualified attorney in the Cayman Islands, and a member of the Harney Westwood & Riegels (Harneys) Cayman Islands' Dispute Resolution practice group.

Arthur McTaggart
IT Sub-Committee Chairman
Arthur McTaggart has more than 23 years of experience in the Internetworking and Computing industries, currently supporting existing and developing new products and services for a leading Cayman Islands Internet Service Provider.

Lizzette Yearwood
Chief Executive Officer

Lizzette Yearwood is the Chief Executive Officer of the Cayman Islands Health Services Authority. Lizzette has been with the HSA for almost 23 years and has a wealth of experience in healthcare settings including experience overseas. She holds certification from the American Society of Healthcare Risk Management, and has a master's degree in healthcare administration.

Jennie Manderson
Director
Jenny Manderson, MBE, JP. Member since 2016.
Committees:HR, Clinical, Risk Management.
HR professional with over 50 years of public service including 33 1/2 in the civil service.

Tresea Brown
HR Sub-Committee Chair
Tresea Brown is a Senior Human Resource Consultant with CIBC Bank and Trust (Cayman) Limited. She holds a M.Sc. in Human Resources from the International College of the Cayman Islands and is an accomplished Human Resources professional with over 20 years generalist and specialist experience at corporate environments.

Jennifer Ahearn
Chief Officer Ministry of Health

Jennifer Ahearn is the Chief Officer in the Ministry of Health, Environment, Culture & Housing. She holds a M.Sc. in Public Policy & Management from the University of London and a M.Sc. Pl. in Environmental Planning. Ms. Ahearn is also a member of the Board of Directors for the Cayman Islands chapter of the YCMA.

Dr. Delroy Jefferson
Medical Director
Dr. Delroy Jefferson is the current Medical Director of the HSA. He was previously the Chief Medical Officer of the Cayman Islands, Medical Officer in Charge of the Sister Islands and has extensive experience in public sector management and policy, and has served on several national and regional boards and committees.

Nanalie Cover
Finance Sub-Committee Chair
Nanalie Cover is a certified public accountant, and has worked as an auditor for Pricewaterhouse-Coopers ("PWC") in the Cayman Islands. She is a specialist with over 20 years experience in Compliance, Risk and Internal Audit and holds a Masters of Business Administration degree in Finance and Accounting, International Diplomas in Compliance and AML and is CAMS certified.

Ms. Cover is also a member of the board of the Cayman Islands Compliance Association, the Cayman Islands Chapter of WISTA (Women's International Shipping and Trading Association) and Rotary Sunrise Grand Cayman.

We are driven by a single goal: the care and improvement of human life.

It's more than just a privilege.

At the HSA, it's our calling.

2018

Nature & Scope of Activities

General Nature of Activities

The Health Services Authority (HSA) is responsible for the provision and administration of primary and secondary levels of healthcare services and public health functions for the residents of the Cayman Islands in accordance with the National Strategic Plan for Health as agreed with the Ministry of Health, Environment, Culture & Housing (HECH).

Scope of Activities

The HSA provides patient care through the 124-beds at the Cayman Islands Hospital (the country's principal health care facility), and the 18-beds at the Faith Hospital on Cayman Brac. Ancillary services are offered at district health centres, and clinics for dental and ophthalmologic care. The Little Cayman Clinic is a purpose-built facility, complete with waiting and triage areas, a treatment room, doctors' office, and a dental office. A resident nurse is on call around-the-clock.

Specialist services are available in the fields of: surgery, gynaecology & obstetrics, paediatrics, internal medicine, dermatology, anaesthesiology, public health, orthopaedics, psychiatry, cardiology, gastroenterology, radiology, neurology, ophthalmology, ear, nose and throat, periodontology, reconstructive surgery, faciomaxillary surgery, and urology.

The Health Services Authority through the Public Health Department is responsible for public health programmes through a purchase agreement with the Ministry of HECH. A team of public health nurses, a public health surveillance officer, a health promotion officer, a genetics counsellor, a nutritionist, and administrative staff, provide this service under the direction of the Medical Officer of Health.

Governance

The Health Services Authority is governed by an eight-member Board which establishes strategic policy direction for the organization through various subcommittees.

Board Sub- Committees

- **Human Resource Sub-Committee**: provides strategic direction in support of the organization's mandate to recruit, retain, develop and empower highly skilled and caring staff, and maintain the Authority's staffing plan.
- **Clinical Sub-Committee:** provides the Authority's Board of Directors with clinical advice, and examines ways to better manage services, and reviews all new applications, revocations and appeals concerning practicing privileges.
- **Finance Sub-Committee**: Reviews the Authority's budget documents, ownership and purchase agreements with CIG, monthly financials, submits projections and recommendations to the Board, and oversees procurement.
- **Information Sub-Committee**: establishes and monitors policies for the management of information systems to ensure that the business objectives of the HSA are being met.
- **Risk Management Sub-Committee:** Monitors actual and potential organizational risk, and provides recommendations as to ways the organisation should manage and reduce exposure to liability.
- **Audit Committee:** supports the Board with oversight of the financial statements, compliance with legal and regulatory requirements, and the maintenance of independence for the internal and external audit.

2 Outcomes and Achievements


HAPPY BIRTHDAY CAKE SET
BUILD-A-BURGER
Crayola

To our Customers and Shareholders:

2018 was a year of success, resilience, growth and innovation. We finished the year with impressive growth in our clinical agenda, record encounters, record revenue, our strongest closing cash position, a clean audit, and marked improvements in facility upgrades and service enhancements to better serve our patients. The successes of 2018 give pause for reflection, and bring into focus just how far we have come in the delivery of healthcare in the Cayman Islands.

We started our journey in 1937 with the opening of the first hospital in the Cayman Islands. It was a modest 4-bed hospital in what is now the present Immigration building. We had one physician and four nurses, who were responsible for taking care of the full healthcare needs of the Cayman Islands population.

Some 82 years later, we are still taking care of our Islands' healthcare needs, and have grown to become the premiere healthcare provider in the Cayman Islands. We now serve a population of over 65,000 residents, offering over 45 inpatient and outpatient medical services, from seven locations across all three Islands.

From our modest beginning as a 4-bed hospital and 5 staff, we have grown steadily with our community to a 124-bed acute and general care facility providing a wide range of inpatient and outpatient specialties. We have expanded facilities on Cayman Brac to include an 18-bed Community Hospital along with an Outpatient Clinic on Little Cayman.

As one of the largest employers in the Cayman Islands, we now employ a diverse workforce of almost 900 individuals covering 30 nationalities, and contribute over $50 million per annum to the local economy through direct purchases.

Throughout our many changes, one thing has remained constant: our mission to provide the highest quality healthcare, and to improve the wellness of people in the Cayman Islands through accessible, sustainable, patient focused care by highly skilled, empowered and caring staff. By succeeding in these areas, we hope to become an internationally recognized centre for excellence in the Caribbean.

It is therefore fitting that the theme for our 2018 Annual Report is "Building excellence in every Patient experience." The pursuit of excellence has been a guiding principle throughout our eighty-two-year journey, and it serves as the beacon that will guide all our actions as we boldly move forward toward the future.

Our history is punctuated with a record of accomplishments and many firsts within the Cayman Islands. We were the first providers of digital mammography; we offered the first local Oncology treatment centre; opened the first on island Pain Specialist Clinic; and introduced ground-breaking minimally invasive procedures for the treatment of women with fibroids.

Our record of accomplishments and history of being in the forefront of healthcare transformation in the islands is extraordinary including the many unique aspects that distinguish the Health Services Authority. For example,

- The only integrated healthcare system and healthcare provider serving all three Cayman Islands with a comprehensive range of services including inpatient, outpatient, specialist, dental and ophthalmology care;
- The only two hyperbaric centers on Grand Cayman and Cayman Brac;

- The only Accident & Emergency Service providing 24/7 emergency medical care;
- The only Dialysis Centre serving the entire population of the Cayman Islands;
- The only Blood Bank providing support to all inpatient medical facilities on our islands;
- The broadest range of medical specialists in a single hospital system with more than 16 specialist services provided;
- The only onsite-dental and eye clinics within a hospital system on island; and
- The only national forensic laboratory.

The above are just a few of the many distinguished accomplishments of the Authority. More history is in the making as we continue every day to introduce innovative solutions to further enhance healthcare delivery in the Cayman Islands.

Along our journey we have earned the trust and confidence of our patients, customers, and stakeholders, with whom we interact daily. Our path is defined by the Outcomes, Goals and Strategic interventions we make along the way, to progress the indicators for national wellbeing along a positive trajectory.

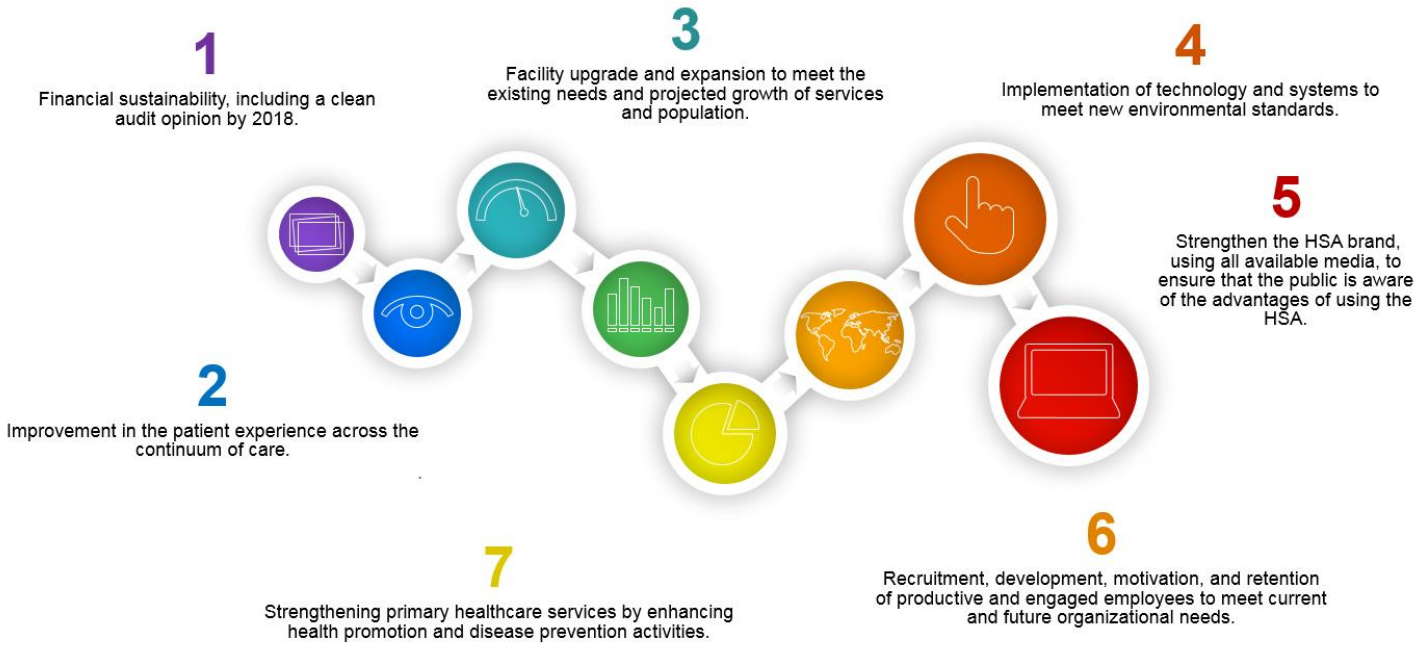
2018 provided many challenges and opportunities. We have embraced those challenges, we have grown, and we continue to move from strength-to-strength in advancing healthcare in the Cayman Islands.

Over the next few pages, we will share the seven primary strategies we pursued in 2018, and our achievements under each, as we continue in servicing the people of the Cayman Islands.

Our Strategic Priorities

The Plan is sustained by seven (7) strategic priorities with defined deliverables throughout the five-year timeframe with specific performance targets established by the Authority each year to achieve these broad strategies:

1. We will develop and implement a coordinated, organization-wide approach to effectively manage our financial resources to ensure sustainability.
2. We will improve patient experience across the continuum of care by respecting and responding to the patient's values and preferences.
3. We will maintain and expand the facilities to meet the existing need and projected growth, whilst being environmentally responsible.
4. We will become the provider of choice for Bariatric Services, Maternal & Child Health, and Interventional Radiology.
5. We will strengthen the HSA brand, using all available media, to ensure that the public is aware of the advantages of using the HSA as their provider of choice.
6. We will attract, develop, motivate, and retain productive and engaged employees to meet current and future organizational needs.
7. We will strengthen Primary Healthcare at the HSA by enhancing patient services, health promotion, and disease prevention activities.



Strategy 1. We will develop and implement a coordinated, organization-wide approach to effectively manage our financial resources to ensure sustainability.

While clinical accreditation was pursued through efforts to attain JCI accreditation, another major initiative in 2018 was our drive to improve our financial accreditation by way of a clean audit.

A clean audit for the financial recording and reporting of the Authority's financial performance and position, is a key accountability tool for our customers, and to the Government who have invested in the organization.

Heightened efforts toward a clean financial audit commenced in 2017 with an independent review of our financial operations to identify possible gaps in the internal control framework, and provide recommendations for improvement. The resultant report outlined 32 recommendations to improve the organizations' internal controls and ensure they meet auditable standards.

More than 90% of the report's recommendations were accepted for practical implementation. The implementation required training initiatives for front-line staff; implementation of a revenue framework that is compliant with International Financial Reporting Standards (IFRS) 15; revisions and updates to operating policies and procedures; and modifications to our IT systems to better leverage built-in functionalities. This included upgrades to the clinical information system to improve patient accounting, documentation, revenue capture, accuracy and completeness.

The successful implementation of those recommendations led to a more accurate and complete registration process, an improvement in the consistency of recording patient financial information, promotion of a control conscious environment, and improved accuracy in the billing and collection of patient services fees.

Following these efforts, the HSA saw a 12% increase in recorded revenue for 2018; a reduction in the provision for bad debts; the highest closing cash position in the history of the organization, and achieved a clean audit opinion.

Beyond the immediate changes evidenced in our 2018 performance results and closing position, our aim is to engender a change in culture towards a more equitable payment mechanism for the cost of accessing healthcare at our various facilities.

When fair payment is received, it enables the HSA to continue striving for service excellence through facility enhancements and expansion, more clinical staff, safe and effective medication, and reducing the individual cost to each patient.

Procurement was another area where significant improvements were made in 2018. We strengthened the overall process through better contract management, stringent oversight of expenditure on vendor contracts, the application of stricter financial controls, and the development of additional procurement policies and procedures.

As we refine the reverse auction process, we expect to achieve further savings in the cost of certain pharmaceutical and medical supplies, compared to traditional procurement methods.

A similar approach is being explored for other major equipment and capital purchases, which will likely result in reduced cost to the Authority.

While the overall spend on supplies on consumables was higher when compared to the budget in 2018, this should be viewed in the context of a corresponding increase in revenue of 12%. The result is that we are ensuring maximum utility for every dollar spent, by creating an efficient service delivery, and ensuring quality healthcare remains accessible and affordable.

Strategy 2. We will improve patient experience across the continuum of care by respecting and responding to the patient's values and preferences.

The 9th national healthcare conference, was held in 2018 with the theme "Empowered Patient." Our patients have choices in the healthcare market; we are grateful when that choice is us, and it is one of the reasons for our continuous drive towards excellence.

Achieving this excellence is a team effort that requires the contribution of staff at all levels. In 2018, each area of the organization was challenged through a performance framework to deliver tangible enhancements to the patient experience. These are some of the more notable achievements.

The **Facilities** team implemented designated parking for older persons, and partnered with an external agency in the acquisition of a golf cart to improve accessibility and convenience for the elderly. The team also began implementation of the new patient entertainment/education and digital signage system to enhance the aesthetics of patient areas.

A key strategy in **Information Services** is the deployment of a strong digital eco-system to enhance patient access, outreach, and engagement. This promotes an element of self-service for routine administrative matters, thereby reducing in-person encounters for non-therapy related activities.

In 2018, we continued with the further development of the patient portal through the addition of patient proxy. This provides patients with the convenience of real-time patient access to medical records, online appointment booking, and patient appointment reminder updates. The new features were delivered in tandem with the expansion of our Electronic Medical Records (EMR) capabilities to improve patient clinical management and chronic disease management.

With these enhancements, patients now have online access to their medical records and all health data, including key test results (such as blood pressure) and other lab tests. This empowers the patient to continuously monitor their health status as well as coordinate care with their healthcare providers, and reduces the need and cost for additional tests and prescriptions.

By leading this initiative, we hope to inspire other healthcare providers in the Cayman Islands to implement similar electronic platforms to improve care coordination and reduce healthcare costs.

The Information Services team also worked to increase the functions and resources of the Call Centre to provide expanded and more convenient services for patients. These include enhancements to the pre-admit process, benefits eligibility verification and appointment reminders (which has resulted in significant reductions in patient no shows); and revenue growth.

Our **Human Resources** team continued mandatory customer service training for all employees to enhance employee-patient interaction at all levels and improve patient satisfaction. They have also embarked on new ways to engage with, and attract, potential talent to the organization through participation in virtual career fairs and direct engagement with students from the high school level.

From the **Corporate Services** side, the biggest initiative was the commencement of a comprehensive plan to support international accreditation to measure and benchmark clinical quality and outcomes against international standards.

This follows the successful accreditation of the Faith Hospital Lab in Cayman Brac, and re-accreditation of the Cayman Islands Hospital Lab by Joint Commission International (JCI).

As part of our journey towards JCI clinical certification, the organization developed a detailed Hospital accreditation plan and embarked on a programme to train our managers and staff on accreditation standards and survey processes.

Since the programme began, over 100 JCI Accreditation Champions have been trained with staff accreditation representatives now present in every Department, Unit and Service. These staff are now responsible for monitoring compliance with accreditation requirements, including improvements made to the physical environment to improve safety and compliance with accreditation requirements.

Over 150 new/updated policies and plans were put in place to enhance Patient Safety and comply with accreditation requirements. We also acquired special environmentally controlled storage cabinets for sterile and clean items, to reduce the risk of acquiring an infection while in the hospital.

At the **Faith Hospital**, we formalized our relationship with the Royal Cayman Islands Police Service for reliable emergency medical patient transports from Cayman Brac and Little Cayman, to ensure timely medical intervention and improved clinical outcomes for emergent patients.

A notable demonstration of stakeholders taking ownership for excellence in every patient experience was the development of a **Physician Clinical Governance framework**. This framework sets out measurable performance standards and accountability for continuously improving the quality of services, and safeguarding high standards of care. It stemmed from a strategic retreat led by the Medical Director and his physician colleagues representing all major clinical areas of the HSA. The document was subsequently approved by the Board of Directors and now serves as an overarching set of standards for delivering quality care.

The Governance Framework:

- Established evidence-based protocols to ensure safe, efficient, and consistent care delivery, with a focus on standardization of care in accordance with the latest clinical evidence and international best practice. This results in decreased spending associated with inappropriate interventions (inappropriate admissions, inappropriate surgeries, etc.).
- Focuses on a team-based approach to care through frequent clinical practice reviews, case discussions and multidisciplinary huddles. The financial impact of these activities has not been quantified for the HSA, but studies published from some US hospitals estimate up to 30% reduction in spending in some departments as a result of care integration, reduced length of stay, and reduced inappropriate clinical procedures.
- Seeks to improve the efficiency of care delivery by employing staff with wider expertise, and investing in new technology with increased clinical diagnostics capabilities, thereby decreasing the number of patients needing to be sent abroad for certain tertiary care. For example:
    - a Vascular surgeon is now doing the fistulae;
    - Joint replacement surgeons now performing most joint replacements locally; and
    - More specialized procedures are now being performed by the intensivists at the HSA resulting in a significant reduction in the need for overseas ICU transfers.

Responding to customer and employee feedback, the management team also enhanced clinical rounding, and expanded their engagement with private and public sector healthcare providers. A key element of this effort is our engagement through the Patient & Family Advisory Committee (PFAC). The PFAC is a partnership between the Health Services Authority, patients, and families, that provides an avenue for our community to directly engage with the organization.

Strategy 3. We will maintain and expand the facilities to meet the existing need and projected growth, whilst being environmentally responsible.

Our patients trust the HSA to provide the best care to achieve positive health outcomes. In 2018, we managed a monthly average of over 32,000 encounters. This is a testament to the trust placed in our cadre of highly qualified local and international specialist physicians, and our reputation for excellent clinical care and outcomes.

The Cayman Islands Hospital was completed in 1999 to serve a population of 38,400. In the ensuing twenty years, the population increased by over 65%.

Between 2011 and 2018, we added 128 new staff in order to continue meeting patient needs and delivery of positive outcomes. With this continued growth, our plan is to add a further 53 full-time equivalent staff in 2019, to ensure adequate ratios between patients and care givers, and to maintain an acceptable level of throughput at our various facilities.

In response to these changes, a comprehensive Master Facility Plan was commissioned to guide facilities and clinical service development over the next 30 years. The plan was delivered in 2018, and outlines the renovations and expansion needs over the period covered.

The Plan was presented to key stakeholders and accepted.

The facility team has since earnestly embarked on the groundwork for full implementation and execution. This includes removing certain offices and functions from the main hospital campus to make way for renovations and change of use, as well as the fit-out of additional facilities at alternate locations for Human Resource management, Patient Financial Services, and certain clinical functions.

As part of the renovation and expansion programme, we also completed the tender process for the Cayman Islands Hospital's ventilation and air conditioning system, with options for remediation or replacement to reduce electricity consumption & billing by at least 10%.

Additional savings are being pursued through the commencement of a phased programme to upgrade lighting throughout the main hospital campus to LED, with anticipated annual savings of $50,000 in utility costs.

A robust security protocol becomes increasingly important as patient volumes increase and more people traverse our facilities. In 2018, we expanded and enhanced our Closed-Circuit Television (CCTV) coverage to improve coverage and quality, so that all our customers will continue to feel safe.

We are also seeking to optimize the use of existing resources by expanding services in key areas to increase the rate of service throughput; i.e. our ability to serve more customers within the same period. This is expected to reduce the per unit cost to provide drugs and therapy to patients. An example of this is the planned expansion to pharmacy and other specialist clinics at the Smith Road Centre Location.

Other notable achievements from the facility team in 2018 include: the installation of designated parking for our elderly patients, and a priority registration system for elderly patients accessing the Pharmacy, General Practice, and Specialist clinics.

A hospital repainting programme was carried out, and we now have a campus transport system for patients needing additional assistance at our main Cayman Islands Hospital.

These investments will provide benefits to our patients and continual growth opportunities for the HSA over the next several years.


SMITH ROAD CENTRE
150

Strategy 4. We will become the provider of choice for Bariatric Services, Maternal & Child Health, and Interventional Radiology.

This strategy outlines targeted measures to expand the range of care available at the HSA in line with advances in medical practices internationally.

Through development of these medical intervention techniques, expanded care options will be available to our local patients, thereby reducing the cost and inconvenience of travelling overseas.

Evidence suggests that Bariatric services may lower death rates for patients with severe obesity, especially when coupled with healthy eating and lifestyle changes.

In 2018 we developed the necessary protocol, policy and business plan, and acquired the necessary equipment to enable a roll-out of the services in 2019.

Our maternal and child health programme is a proactive, preventative and strategic approach aimed at promoting the optimal health and development of pregnant women, and families with infants and young children. The goal is to provide expanded support to this demographic as part of our goal to improve national health indicators and support families.

To further develop this programme, we commenced the restructuring and relocation of clinical services to create a dedicated Maternal and Child Health Centre with future plans to extend operating hours, and the paediatric acute care services.

Accurate diagnosis is critical for ensuring the most effective treatment. By investing in techniques such as interventional radiology, we can perform a range of imaging procedures to obtain detailed images of the inside of the body which allows for more accurate diagnosis. These images are interpreted by an interventional radiologist to diagnose injury and disease, and to perform a range of interventional medical procedures.

Our successful recruitment of an Interventional Radiologist will assist with the introduction and expansion of innovative and non-invasive procedures at the HSA to further enhance the range and quality of services available to our patients.

Strategy 5. We will strengthen the HSA brand, using all available media, to ensure that the public is aware of the advantages of using the HSA as their provider of choice.

Patients and customers are often surprised at the range of services available at the HSA, and our various community engagements for the promotion of good health. In 2018, we challenged our communications team to develop a plan, and implement innovative strategies to improve our communication with stakeholders, so we can build awareness of our products and services.

and programmes through a monthly radio interview programme.

We also began providing patient greeters in the main atrium at our health information desk. This will provide a more personal touch and assist our patients seeking information on services, or the location of facilities for their appointments.

The marketing plan was developed, and additional staff (including a Communications and Marketing Manager) were recruited to support communications initiatives. The team began executing the full marketing plan in 2018 engaging through print, radio, television and social media.

Early wins during the year include the further development of our collaboration with Radio Cayman to create awareness of our services

Our marketing team also worked on the expansion of our social media footprint allowing us to push more information to our patients through Facebook and other platforms.

Another successful partnership promotion was our collaboration with private sector organisations to increase blood donor registration, thereby surpassing the single year target of 500 new blood donors.

Strategy 6. We will attract, develop, motivate, and retain productive and engaged employees to meet current and future organizational needs.

Our team of highly skilled staff is our primary instrument for delivering care and ensuring excellence in the patient's experience. We firmly subscribe to the value that if we take care of our staff, they will be better equipped and motivated to take care of our patients.

The 2018 agenda included our strong investment in our people, notably our nurses, physicians, other direct caregivers, and non-clinical staff. Our fiscal plans included provisions for adding more nurses that will further improve the patient- to-care giver ratio; allowing nurses to spend more time at the bedside caring for our patients; improving clinical quality; and the overall patient experience.

Several initiatives were deployed in 2018 to enhance the workplace environment for our people. Among these were the roll-out of our new employee intranet portal providing online access to all HSA resources in a single electronic platform, and the implementation of a staff clinic to improve access and coordination of care for employees.

Our new dedicated employee car park serves the dual function of affording staff designated parking areas while allowing the spaces at the front of our Cayman Islands hospital campus to be used by our customers seeking care. We've also provided a dedicated Physician after-hours car park for Physicians who are working at our facility between the hours of 7:00pm and 6:00am.

Healthcare is a passionate industry, and our staff remain engaged and committed for the primary reason that they care: they care about our communities, our national health indicators, and the people the HSA serves. Notwithstanding, we all live in the same economy and have been experiencing the same challenges caused by annual inflation and stagnant compensation, resulting in annual decreases in the buying power of each dollar earned.

In 2018, we implemented two important measures to address salary stagnation and improve the competitiveness of the

organization in attracting and retaining top talent.

The first measure was the review of existing salaries through salary rationalization. The salary rationalization sought to address inequities for persons who have dedicated several years of service to the HSA but were not awarded points on the salary scale commensurate with the experience gained since 2008.

This created inequities and retention challenges when new staff are recruited and are compensated for their level of experience at the time of their appointment. Management recognized this issue and made provisions in the 2018 Budget to address it. The implementation of the salary rationalization in 2018 provided a significant morale boost to our long-serving staff whose salaries had remained stagnant for over a decade.

The second measure implemented sought to address the general declining buying power of staff salaries through the award of a Cost of Living Allowance (CoLA). The 5% CoLA staff received in 2018 was only the third such adjustment made by the HSA since 2004.

This meant that salaries paid prior to the CoLA were reflective of the buying power in 2013.

Whilst the 5% adjustment did not fully account for the changes in the consumer price index up to 2018, the financial relief was a welcome one, and will allow the HSA to remain a competitive employer in the Cayman Islands.

Importantly, these two measures were fully funded by the organization through increased services and revenues earned during the year. This negated the need for additional budgetary provision from the Central Government.

Another key strategy in 2018 was the development of the Employee Innovation Council. This council is an organizational initiative for employees to submit bold, innovative cost-saving suggestions to improve the business practices, clinical quality, customer service and financial performance of the Health Services Authority.

During the year, a number of our staff pursued further professional development through the support of the organization. We speak a bit more about these in the Human Resources section of the report.

We are truly blessed with a diverse, dedicated and skilled workforce. The continued positive engagement and well-being of our staff is a key component of our current and future success in ensuring continued service excellence.


15 mg
300 mg
20mg

Strategy 7. We will strengthen Primary Healthcare at the HSA by enhancing patient services, health promotion, and disease prevention activities.

Disease prevention and health promotion through the advancement of primary healthcare is an important tool in our health arsenal for improving our national health indicators. Non-communicable diseases are increasingly becoming a barrier to wellness. If neglected, it can become a national healthcare burden and a threat to the socioeconomic progress of the Cayman Islands.

As the premiere healthcare provider in the Cayman Islands, we have a vested interest in the fight against the spread of these diseases, and are working to improve our healthcare systems to reach a greater cross section of the population.

In 2018, our Public Health Department continued work on the expansion of the CayHealth programme. The CayHealth programme was launched in 2010 as a joint initiative of the Ministries of Health and Community Affairs to align patients with a preferred general practitioner, who will coordinate all aspects of their care.

The initiative was lauded by the Auditor General in one of her reports as "an example of leading practice in managing chronic disease."

The programme which is managed through our Public Health Department is also intended to increase monitoring and health interventions for patients who suffer from chronic non-communicable diseases. Through timely intervention, we are working to improve health outcomes and productivity, and reduce the frequency of emergency room visits and referrals for more acute care specialist services and admissions.

A critical element of the CayHealth programme is increasing access to health education and healthy lifestyle programmes. The programme continues to realize significant successes, with visits to General Practice for preventive care increasing from 44% in 2010 to 67% in 2018.

In contrast, Specialist's visits declined from 37% in 2011 to 22% during the same period. The A&E encounters decreased significantly from 18% in 2010 to 11% in 2018; all reflective of the goals of the programme.

The efficiency of this successful programme was enhanced in 2018 through access to physical education programmes to reduce the prevalence of physical inactivity, thus enabling school-aged children to lead healthier lifestyles. We also established a surveillance mechanism to collect, process, analyse, and monitor data on the prevalence of risk factors for developing chronic diseases, and their morbidity/mortality.

We intend to continue promoting the CayHealth programme to other population groups such as the Civil Service. Through successful promotions, we hope to improve population health outcomes by increasing access to preventative care and better care coordination, thereby reducing the cost for more expensive specialist care and emergency room visits.

Another primary healthcare initiative is the HSA's smoking cessation programme, which has been a remarkable success since its inception. Through this healthy lifestyle initiative, we are reducing the number of potential cancer patients and the resulting cost of treatment. With its new dedicated facilities, the Public Health Department will create the capacity to significantly increase the number of persons benefitting from this programme.

Diabetes has become an increasingly prevalent disease among our Caribbean population. To deal with the increased demand for service for patients with Diabetes, we implemented a Diabetic Education Clinic to develop a more

accurate representation of the status of persons living with the disease.

This information will enable evidence based clinical management of this chronic condition to improve the quality of life and reduce the prevalence of these conditions through an effective national health education, promotion and prevention strategy.

Through our Ministry and our public outreach, we were also engaged in a number of partnerships with NGOs such as the Cancer Society, the Breast Cancer Foundation, and the Lions Club of Grand Cayman.

Our partnerships with these groups enable us to provide subsidized preventative screening and diagnostic care services for breast cancer screening and prevention.

The global trend for the cost of providing healthcare has been increasing in recent years. We recognize that this phenomenon can act as a barrier to access care, and have been working collaboratively with the Ministry, our suppliers, and other regional agencies, to seek mitigation measures.

An example of this collaboration is the Ministry's engagement with the Pan American Health Organization (PAHO), as part of a regional strategic framework for pooled procurement of essential medicines such as antiretroviral medication for HIV/AIDS, and other vaccines at significantly lower cost.

In 2018, we also introduced a market pricing model for the mark-up on prescription medication, bringing their pricing formula more in line with the private sector and international best practices. This replaced our fixed percentage mark-up strategy which was negatively impacting the price competitiveness of our high-cost drugs, such as those used in the treatment of cancer.

We expect the savings and cost reductions realized through these initiatives to lower healthcare cost to patients. However, while we expect these interventions to have a positive impact on the cost and availability of quality drugs, we also recognize that the focus on any cost reduction strategy in healthcare must begin with ensuring a healthy and productive society and therefore an emphasis on health promotion and disease prevention.

3 Strategic Landscape

The following summarizes our achievements over 2018, against our budgeted Ownership Goals agreed with the Cabinet:

Ownership Goal 1: Develop a phased implementation plan for international accreditation

- Detailed Hospital accreditation plan developed.
- Initial and ongoing training of managers and staff on accreditation standards and survey processes.
- Over 100 JCI Accreditation Champions trained. There are staff accreditation representatives in every Department, Unit and Service who monitor compliance with accreditation requirements.
- Over 150 new/ updated policies and plans designed to enhance Patient Safety and comply with accreditation requirements.
- Various improvements to the physical environment of care to improve safety and comply with accreditation requirements. (i.e. New space to reduce clutter, fire risks and other hazards).
- New equipment to reduce risk of acquiring an infection while in the hospital (i.e. special environmentally controlled storage cabinets for sterile and clean items).

Ownership Goal 2: Review and revise financial processes to improve efficiencies and increase accountability at every level

- Met and exceeded all compliance and statutory financial requirements prescribed in the HSA Law, Public Management Finance Law and Public Authorities Law for prudent financial management.
- Improved recruitment process and cost controls which led to 24% reduction in overtime expenditure.
- Updated Overtime Policy.
- Established a Compliance Unit with a focus on the revenue cycle to ensure all organisational processes are conducted within the internal prescribed parameters and statutory requirements.
- Strengthened the procurement process through policy revisions to improve contract management and financial controls including stringent oversight of expenditure on vendor contracts for travel and business-related expenses.
- Implemented critical system upgrades to the clinical information system to improve patient accounting, documentation, revenue capture, accuracy and completeness.
- Expanded capabilities of existing systems to provide readily available dashboards with drill-down capabilities to improve financial analysis, information dissemination, and decision making.

- Achieved clean audit opinion on 2018 Financial Statements

Ownership Goal 3: Implement consistent, user-friendly directional signage throughout the organization

- Updated signage to provide user friendly and consistent messaging to visitors and staff.

Ownership Goal 4: Review and upgrade Master Facility Plan

- Developed a comprehensive Master Facility Plan to guide facilities and clinical service development for the next 30 years.

Ownership Goal 5: Establish a maintenance team that adequately addresses the needs of the infrastructure

- Completed the tender process for the upgrade and or replacement of the hospital's Air-Conditioning and Ventilation system. This includes options for remediation or replacement to reduce electricity consumption & billing by at least 10%.
- Commenced a phased programme of lighting upgrades to LED throughout the hospital campus, with anticipated annual savings of $50,000 in utility costs.
- Introduced a recycling programme.

Ownership Goal 6: Create a secure environment for patients and staff

- Implemented a Physician Clinical Governance framework with measurable performance standards and accountability, for continuously improving the quality of services and safeguarding high standards of care.
- Expanded and enhanced CCTV coverage to improve patient and employee security.
- Opened a dedicated staff parking lot with enhanced lighting, and made additional patient parking available at the Seventh Day Adventist parking lot.
- Introduced the use of a golf cart to assist in transporting patients requiring additional assistance.

Ownership Goal 7: Develop a Bariatric service in alignment with international best practice

- Developed the protocol, policy, a business plan, and acquired the equipment, for Bariatric services.

Ownership Goal 8: Develop and implement an innovative marketing plan

- Initiated a monthly radio interview initiative to create awareness of the HSA's services and programmes.
- Collaborated with private sector organisations to increase blood donor registration, and surpassed the single year target of 500 new blood donors.

Ownership Goal 9: Develop and implement a talent management program to support continuing growth and succession planning

- Developed the Employee Innovation Council to establish an organizational initiative for employees to submit bold, innovative cost-saving suggestions, to improve the business practices, clinical quality, customer service, and financial performance of the Health Services Authority.
- Developed plan for the implementation of automated HR productivity and measurement software.
- Implemented a staff clinic to improve access and coordination of care for employees.
- Rolled-out a new employee intranet portal providing online access to all HSA resources in a single electronic platform for employees.
- Commenced tender process for software acquisition, to automate existing manual HR processes

Ownership Goal 10: Review salary and benefits

- Implemented salary rationalization and cost of living increase to improve employee compensation, recruitment and retention.

Ownership Goal 11: Establish and expand the current Diabetes Education Services to include management of diabetic patients in a dedicated clinic

- Implemented a Diabetic Education Clinic to have a more accurate representation of the status of persons living with Diabetes.

Ownership Goal 12: Monitor, improve and increase the visibility of existing Chronic Disease Awareness media campaign (CDAMC) (e.g. Be Fit)

- Expanded and improved the efficiency of the CayHealth program.
- Designed and disseminated physical education programmes to reduce the prevalence of physical inactivity, thus encouraging school-aged children to lead healthier lifestyles.
- Established a surveillance mechanism to collect, process, analyse, and monitor data on the prevalence of risk factors for developing chronic disease, specific chronic diseases themselves, and their morbidity/mortality.


Faith
HOSPITAL
By The People For The People

SWOT Analysis

The Health Services Authority is uniquely positioned in the local healthcare sphere with several strengths and opportunities. As we move forward, the intent is to leverage these factors to mitigate and manage threats and weaknesses.

Strengths

Integration – We are the only integrated healthcare system and provider serving all three Cayman Islands with a comprehensive range of services including inpatient, outpatient, specialist, dental and ophthalmology care.

Uniqueness and range of Services – We offer the only 24/7 accident and emergency service, national dialysis centre, internationally accredited forensics laboratory, onsite dental clinics, and are the only local organization offering a range of over 45 inpatient and outpatient medical and specialist services.

Scale- In 2018 we managed almost 390,000 encounters, performed over 3,400 surgeries, and delivered almost 360 newborns. As one of the largest employers in the Cayman Islands, we provide direct employment for almost 900 individuals hailing from 30 different nationalities. We are also one of the Cayman Island's largest purchasers of goods and services, contributing $54 million in direct purchases to the local economy in 2017.

Technology – Through our deployment of modern technology, we are able to conduct Public Health Surveillance through our Pathology Lab for local testing for suspected viral infections. These tests are authorized by the Center for Disease Control. We also Pioneered the use of a unique procedure in the Cayman Islands known as 'Radiofrequency Ablation (RFA)' to treat a patient with Osteoid Osteoma, a benign bone tumor. In 2018 we also began offering the Selenia Dimensions 3D Mammography, the latest technology in breast cancer detection and the first of its kind in the Caribbean.

Skilled workforce – Our highly trained and experienced clinical team enabled us to become the first hospital in the Caribbean to perform gall bladder removal surgery using the Fluorescence Cholangiography technique. We've also become a local leader in cardiac pacemaker implants and replacement, as well as cardiac rehabilitation. Our Oncology treatment centre allows our patients to receive local treatment from skilled oncologists instead of having to travel overseas to access those services.

Public Programme Support – We are the provider of choice for the central Government, and delivered almost $40 million in public programmes during 2018.

Weaknesses

High cost of living – our high cost of living in the Cayman Islands makes it difficult to attract and retain talent from certain markets overseas. This, coupled with restrictions for performance-based compensation, reduces our agility to compete for skilled staff. Management has deployed strategies such as additional compensation for "difficult to recruit" positions, and advocating for cost of living adjustments for our staff.

Culture of non-payment – There is a pervasive view among a segment of the population that they do not have to pay for services accessed at the HSA. This culture limits our cash flows and our ability to expand our plant assets while investing in new people and technology to deliver expanded service. Management is now seeking to outsource delinquent self-pay accounts for recovery.

Under investment in facilities – investment in facility expansion has not kept pace with population growth over the past 20 years. Consequently, our facilities are now heavily taxed to manage the patient volumes experienced annually. In 2019, our plan is to invest some $6.2 million to meet facility and equipment needs, and a further $10 million in the ensuing two years to keep pace with demand for services.

Post-retirement health liabilities – our post-retirement healthcare costs are now reaching almost $14 million per annum. While many of these benefits are no longer offered to new employees, the liability associated with employees hired prior to 2010 has caused the authority to fall into a negative net-worth position.

Opportunities

Accreditation –Joint Commission International (JCI) is the world's premier accreditation body for evaluation of healthcare facilities.

With the successful JCI accreditation of our labs, we are now moving for the accreditation of our wider healthcare facilities. This will establish the HSA as meeting international healthcare quality standards for patient care and management.

Medical Tourism – Americans are increasingly turning to medical tourism as a means to find affordable care. "Patients without Borders" is an organization that tracks developments in the area of medical tourism. According to their statistics, approximately 14 million sought medical tourism services in 2017 representing an estimated market size of $45 - $72 billion. The HSA is well poised for the treatment of international patients through or wide range of service offerings and state of the art facilities.

Ageing population and higher life expectancy – recent statistics by the Economics and Statistics Office estimate life expectancy in the Cayman Islands at 82.3 years. Given our historical low birth rates, the country is seeing an aging population which will require additional medical care in future years.

Unserved and underserved markets – Residents still access the overseas healthcare market for various procedures which are not available locally. By expanding in areas such as Bariatric services, we are seeking to keep more of that healthcare business within the local economy and better serve our patients.

Master facility plan – our Master Facility Plan, which has now been accepted by key stakeholders, will allow us to pursue facility expansion and improvements in a strategic manner over the next 30 years. This will allow us to capitalize on increasing patient demands by offering expanded services in modern facilities.

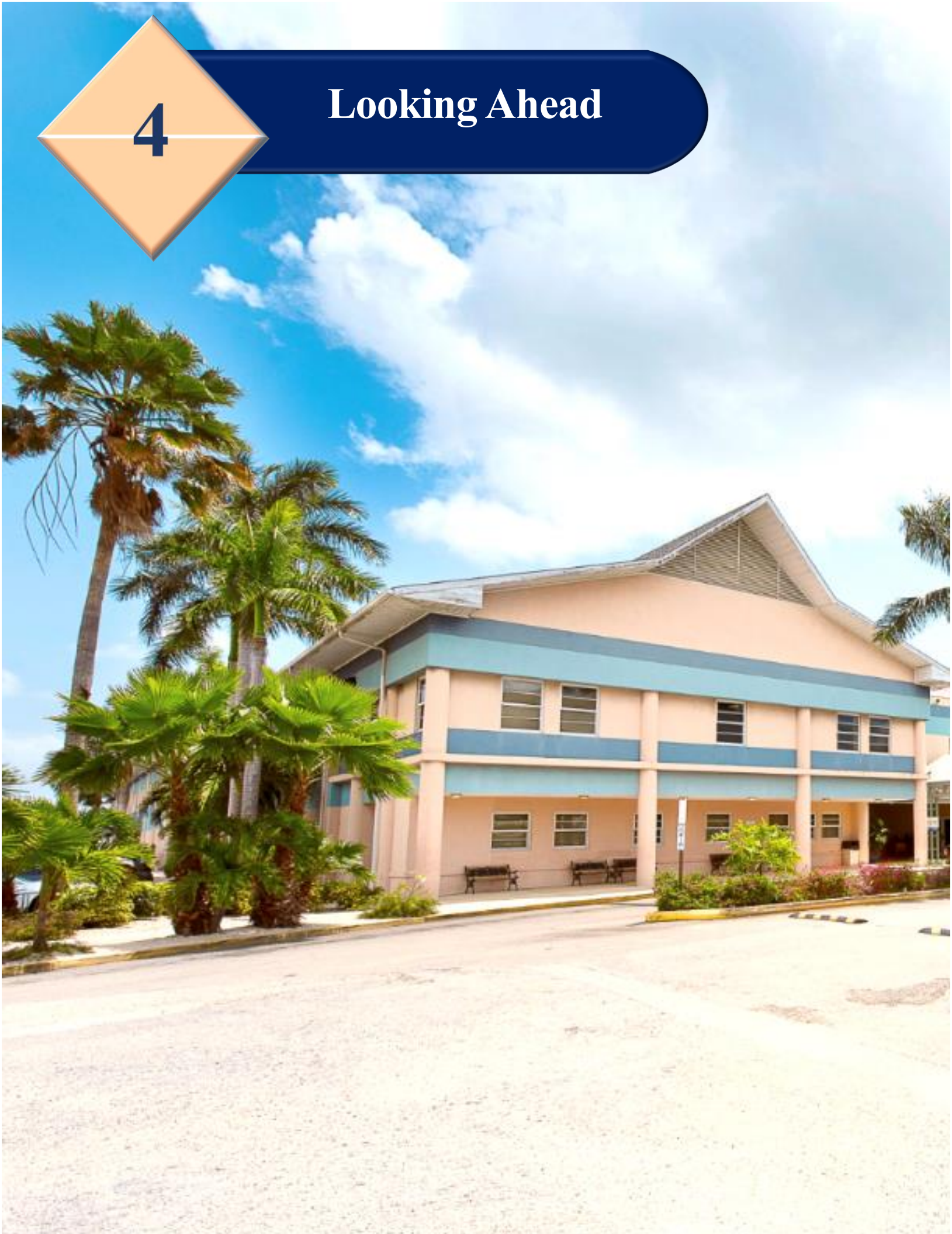
Threats

Competition – As more players enter the local healthcare market, we will pursue continuous improvements and care excellence to ensure we maintain our position as the premiere healthcare provider in the Cayman Islands.

Oversubscribed social programmes- An increasing number of individuals are seeking to access medical care under indigent status. As a service provider, the HSA is not able to influence this phenomenon since the criteria to access the programme is controlled by the Ministry of Community Affairs.

Increases in the number of incidences and costs for treating individuals deemed medically indigent has frequently led to budget depletion before the end of the fiscal year, and the risk that the HSA will not be compensated for the care provided. This programme is a social safety net provided by the Government. The HSA is unable to absorb the cost of providing care without adequate reimbursement.

4 Looking Ahead




Cayman Islands
HOSPITAL
Cayman Islands Health Services Authority

We approach 2019 with a spirit of confidence and the resolve to build on the successes of 2018.

Some of our core expansion plans include:

Expansion Pharmacy and Smith Road Centre: The Smith Road Centre, is a 45,000 square foot building that was constructed in 2007, primarily as a medical office complex, with full power recovery, concrete roof, sizeable parking, security & fire control systems, and is category 5 hurricane rated Class A.

Our plan is to purchase the building in phases with the immediate acquisition of 14,593 square feet of space on the second floor, and 3,730 square feet of space on the first-floor. Purchasing additional space at the Smith Road Centre allows the HSA to leverage its cash assets to acquire space it can immediately occupy and utilize for the expansion of current services.

It also provides an affordable option which allows the HSA to save on future lease costs by acquiring additional space without the need for borrowing or the incurrence of interest costs.

Health care centre in Bodden Town: Our master facility plan identified a health care centre in Bodden Town as a key initiative to manage and cope with expanding service demands.

We've been in talks with the Ministry regarding land for the Bodden Town Health Centre, and significantly progressed the discussion in 2018. With the support of our Minister, in 2019, we will be seeking the Cabinet's approval of vesting the property to the HSA, and for the rezoning the property to make it suitable for development as a health care centre.

We've also put forward requests for the next two-year budget, so we can begin construction in 2020 which will put us on track to deliver the project and expand emergency medical services for the Bodden Town district by 2021.

Expansion of facilities at Faith Hospital: The Accident and Emergency Room and Radiology Department in Cayman Brac is in dire need of expansion. In 2019 we will begin work to add an additional 1,700 square feet of space to upgrade the radiology equipment and improve the hospital's ability to deal with accidents and emergencies.

We will also be pursuing the construction of a materials management and physiotherapy building at the Faith Hospital in 2019. Plans were developed in 2018, and construction is expected to begin in the 2nd quarter of 2019.

Expanded Mental Health Services: In addition to the growing number of persons seeking services for mental illnesses, we have also noted significant increases in the number of individuals requiring care for broader mental health needs. These include cognitive assessments of the elderly, persons in the court system, cancer patients, and those seeking weight restrictive services. Provision of timely and effective interventions in these areas can prevent them from developing into full-blown mental health illnesses.

Adolescent mental health services is another area on our developmental agenda. Recent statistics have identified an increase in the prevalence of mental health issues among the children and adolescent population.

Through support from the Ministry, we will be seeking to expand services which are targeted specifically at the adolescent population. This will serve as an emergency hub for adolescents with mental health needs, to address the identified issue of access becoming a barrier to care. Suicide remains among the top 3 causes of death in the youth population, a statistic we will be pushing hard to reduce.

Development of our charitable Foundation: The HSA Law created the framework for a foundation; however, fundraising through this foundation has been relatively inactive for some years. Hospitals globally have relied on foundations to help meet capital development needs. In the United States, hospitals have received more than $6 billion in philanthropic contributions to fund various capital programmes.

We believe that a similar philanthropic initiative would be given support in the Cayman Islands and could become a pivotal part of delivering our master facility plan and expanding healthcare services in the Cayman Islands.

Telemedicine: In 2019 we will seek to add telemedicine to the approved charge master for the HSA. This will allow us to launch this service, thereby allowing previously marginalized patients with mobility challenges to access specialist consultants through telemedicine facilities to be set up at our main campus.

Refurbishment of Patient rooms and new patient television system: Our patient rooms will be getting a facelift in 2019. The improvements will modernize the environment with the installation of new furniture and aesthetically pleasing décor. Through a new patient television system, we will be able to provide targeted content to our patients, and allow them greater control of the in-room television system. The system will also support telehealth, language translation, a nurse call system, and the ability for patients to enjoy greater interactivity with families and caregivers.

5 Human Resource Management

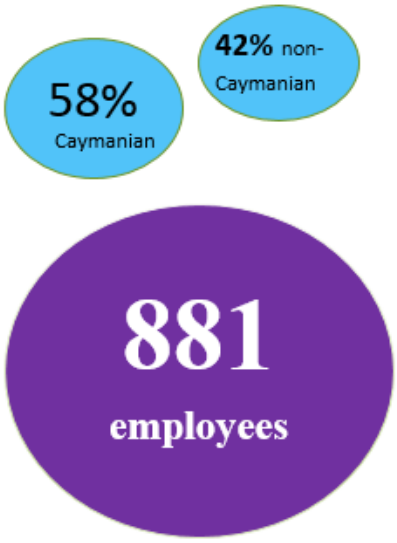
Human Resources

The healthcare job market is increasingly competitive which makes it extremely challenging to fill certain positions in a timely manner. In 2018 we relied heavily on our HR team to fill key vacancies which would allow us to reduce our use of overtime, ensure adequate patient-to-care giver ratios, improve throughput, and strengthen our internal control environment.

We closed the fiscal year with 881 full-time equivalent staff, compared to a budget of 933. The 52 vacancies, many of which was carried throughout the year, allowed us to realize a cost savings of $3.3 million.

Several positions which deemed critical to the success of the HSA's revenue cycle were filled during 2018. Some of those were new positions and included:

- Billing and Insurance Supervisor- This is a new role for 2018 and is meant to ensure the timely completion and submission of insurance claims, collections and patient statements.
- Registration Supervisor- This role provides direct supervision of Registration and Reconciliation Officers. A Second Registration post was added in 2018 to assist with the scheduling, training, data validation, accuracy of data capture at registration points, and the overall management of registration activities throughout the hospital.
- Revenue Supervisor- This position is new for 2018, and is responsible for ensuring timely self-pay collections, accounts receivable management, client billings, and effective financial planning for patients.
- Deputy Chief Financial Officer– This position is also new for 2018, and was created to provide support for the Chief Financial Officer in managing the finance and accounting functions of the HSA with specific focus on the Revenue Cycle.
- Business Coordinators-- This is a new role meant to provide business support and customer service to managers, staff and patients. Among other things, the Business Coordinators (11 in total) will: monitor and apply daily room charges; review revenue generated for completeness and accuracy, and liaise with the Nursing Manager to correct errors or inconsistencies.
- Chief Financial Officer-- Following the resignation of the previous CFO, the organization was successful in attracting a qualified and experienced CFO to lead the Finance team.



Nationality

As one of the Islands' largest employers, the HSA employees a diverse workforce with over 30 nationalities. At the close of the fiscal years, Caymanians accounted for 508 employees (58%), Jamaicans 181 (21%) and British 36 (4%). The remaining 17% is split among the other 27 nationalities in our workforce.

Supporting our people so they can better serve you

In 2018, we launched the Staff Acute Care clinic at our General Practice Clinic facility.

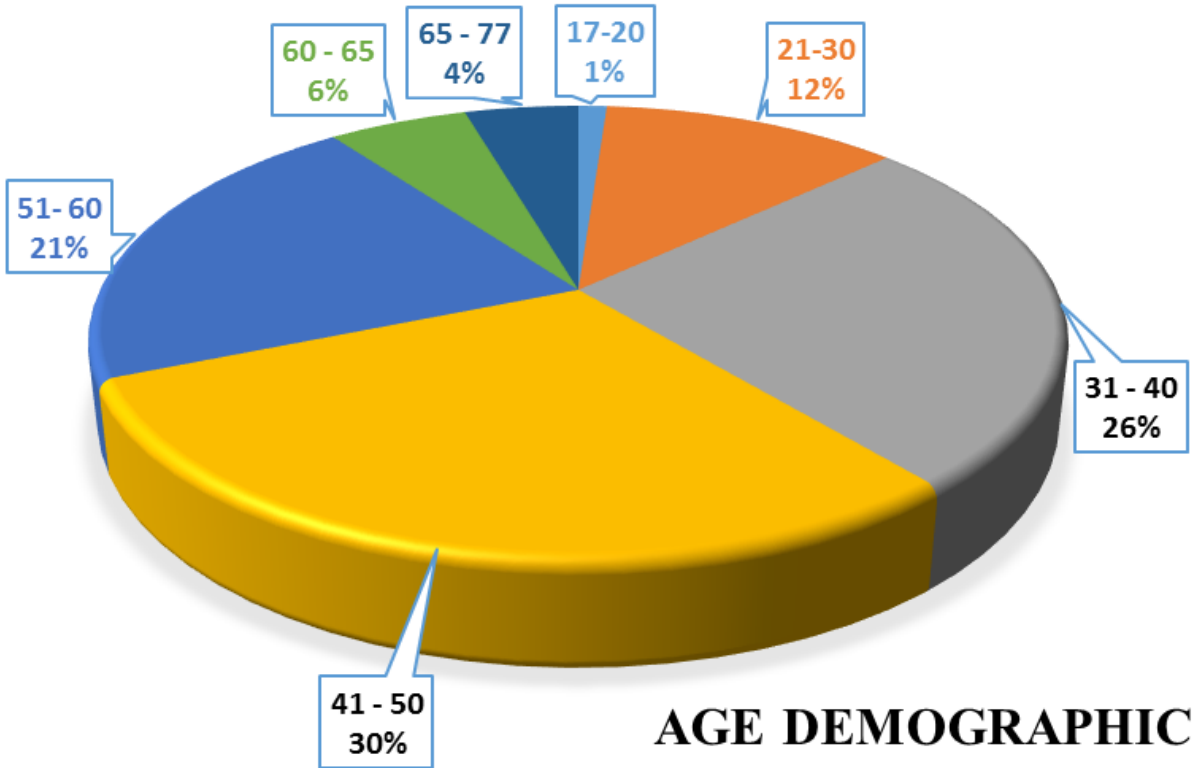
This Clinic is specifically for HSA Employees and will allow staff to receive immediate but short-term treatment for unforeseen episodes of illness, urgent medical conditions, and instances of just not feeling well.

Employee Engagement Survey– In 2017, we carried out an employee engagement survey that was completed by 274 staff. The survey sought to engage our staff to gather feedback in several areas including job satisfaction, working conditions, personal opportunities, cooperation, communication, leadership and compensation.

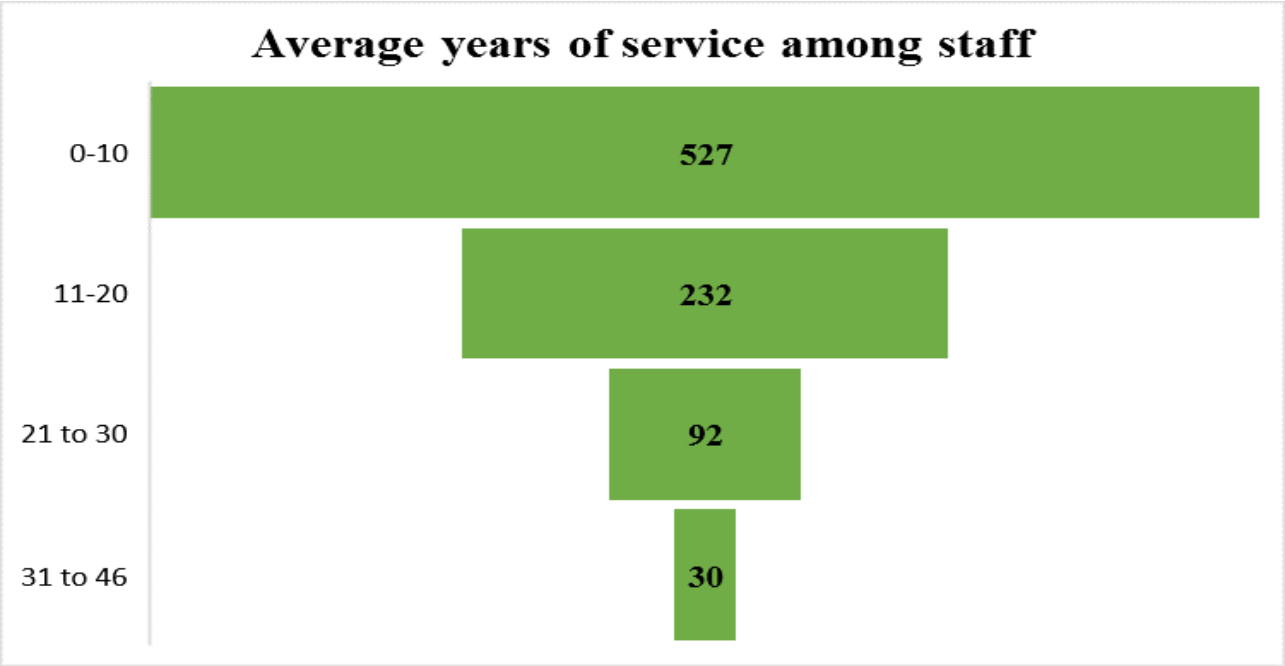
The feedback resulted in a 2018 Employee Survey Action Plan to improve indicators in several of the areas surveyed. Our desired outcome from the action plan is to:

- Improve the flow of information throughout the organization;
- Improve senior management visibility and consistency in messaging;
- Enhance engagement with a larger proportion of staff in forums where colleagues can raise issues for consideration and input to shaping initiatives on a regular basis;
- Provide opportunities for the CEO to directly engage employees in forums for improved communications and organizational development;
- Promote greater work-life balance;
- Create opportunities for staff to "de-stress," improve employee health and well-being by opening a staff gym to all employees with an instruction/training programme to improve mental and physical health;
- Better communicate our philosophy of equal opportunities for promotion and career advancement within the HSA; and
- Better support our staff through skill and career development opportunities.

Responsibility for the plan was shared among all senior managers, our wellness coordinators, and our training manager. The initial survey will serve as our benchmark for future measurements of success for the action plan.



AGE DEMOGRAPHICS

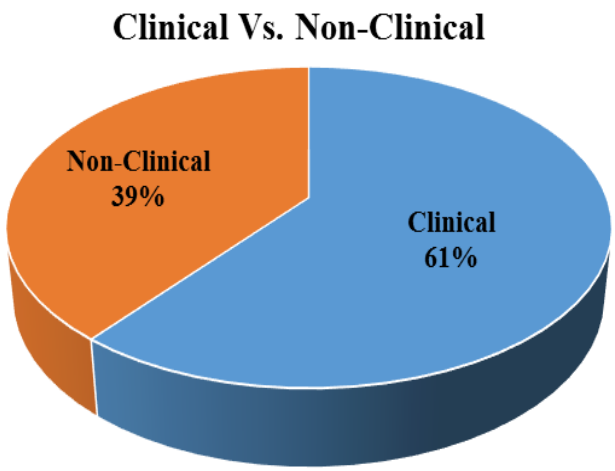


Technology Improvements: The authority commenced the tender process for software acquisition to automate existing manual HR processes.

We've implemented a Performance Management system:

As we continue to roll out our performance management framework, all staff in the Finance Section had Performance Agreements for 2018, commensurate on the goal of achieving a clean audit. The 2019 goal is to expand this to all sections of the authority with 100% of staff having performance agreements by the end of the year.

Virgin Pulse – Our Virgin Pulse programme is part of our organization's wellness initiative, and encourages staff to get active and keep moving. Trophies are earned quarterly with points awarded to participants who may redeem them for up to 8 hours leave from work.



We relocated our HR Department

As part of our continuing strategy to improve the work environment and provide a positive employee experience, the Human Resources (HR) Department was relocated to the 2nd Floor of the Sigma Building. The building is located on the corner of the four way stop by the main Hospital campus, and is more accommodating and provides direct access for staff and visitors to the building.

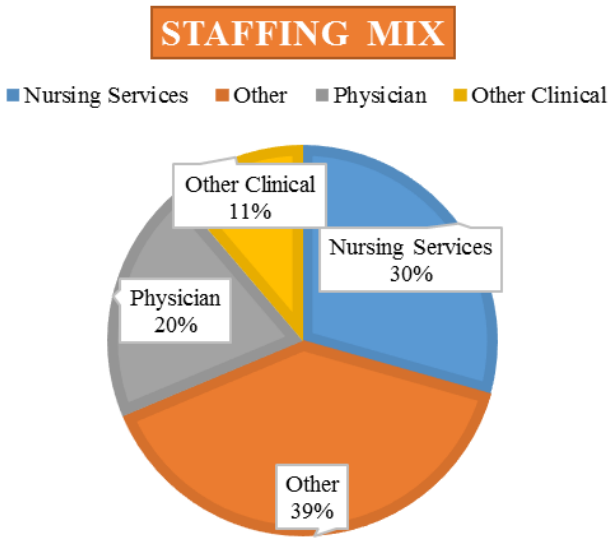
This move follows staff feedback which identified opportunities to improve employee workspace, storage, and overall work environment.

We reduced overtime expenses

Expenses on overtime fell by approximately 24% when compared to the corresponding 12-month period in 2017. This follows the establishment of an overtime working group, revisions to our policies and procedures regarding the approval and use of overtime, and changes to our monthly payment process. In 2019, our aim is to reduce the spend on overtime in 2018 by a further 20% by filling vacancies and ensuring adherence to our overtime use policy.

Impact from post-retirement benefit costs

Our personnel budget increased by some $13.4 million in 2018 when compared with the budget for the corresponding period. This was mainly due to the additional accrual of post-retirement cost of some $13.9 million.



Only 881 of our budgeted 933 positions were filled as at December 31st, 2018. The number of vacancies carried by the organization throughout the year resulted in $3.3 million in savings from direct salaries and emoluments. These savings were used to partially offset the impact of the post-retirement benefit costs.

Achievements

Dr. Vinton Douglas successfully completed his Postgraduate Diploma in Occupational Medicine.

The following doctors completed the Certificate in Healthcare Leadership and Management from the Northeastern State University:

- Dr. Nigel Boothe
- Dr. Andrea Maitland
- Dr. Tameka March
- Dr. Takeyce Palmer
- Dr. Linden Swan

Dr. Shomari Blake obtained a Postgraduate Diploma in Family Medicine.

6 Financial Statements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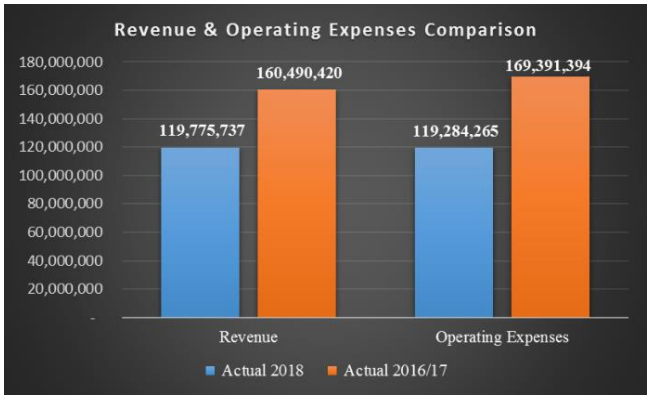
Management Discussion and Analysis of Financial Results

Our 2018 comprehensive income of $27.4 million was $27.1 million better than the budget anticipated, and reflects one of our best financial results since the HSA became an Authority some 17 years ago. The period also closed with a record $22.6 million in cash and cash equivalents, which is another record for the HSA.



Our 2018 surplus and record cash position are even more remarkable considering some of the challenges we overcame during the fiscal year. In 2017, we developed the 2018-2019 two-year budget with plans for $106.4 million in operating expenses for 2018. Two months into the fiscal year, we were presented with the results of our first actuarial valuation for the HSA's post-retirement health care benefit package.

According to our actuaries, the HSA had a liability at the end of 2017 of some $149 million, and the organization needed to immediately begin recognizing some $13.8 million in annual costs. Since the valuation was the first of its kind for the HSA, the recommended amounts were not included in our budget and that immediately placed a downward pressure on our finances.

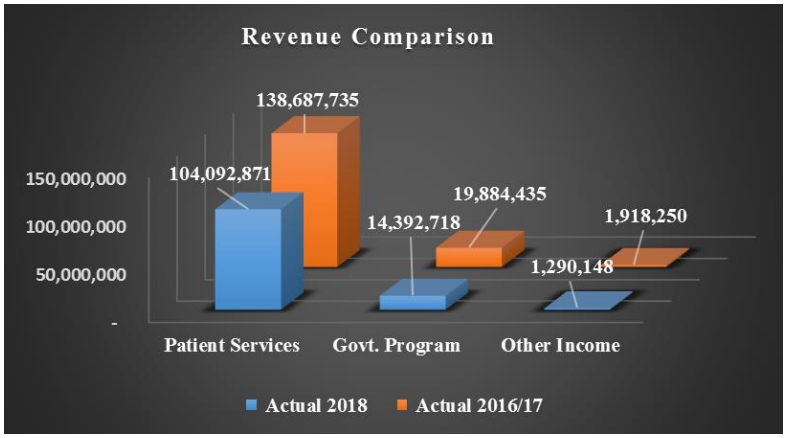
In response, immediate measures were taken to cut costs where possible, without sacrificing patient care or safety. Areas of opportunity identified included overtime, bad debt expenses, and supplies and consumables. While we were successful in reducing costs in all those areas, it simply was not possible to absorb an immediate increase of some 20% to personnel costs through cost savings alone.

A multi-faceted approach was needed to reduce costs where possible, ensure the complete capture of revenue for the services we deliver, and maximize efficiencies by increased throughput.

At the end of 2018, the past service liability was revalued at $137.4 million. This re-measurement resulted in other comprehensive income of $25.5 million. The combined effect of Management's cost containment measures, and the re-measurement of the past service health care liability resulted in our best year on record for total comprehensive income.

Revenues

Patient revenues averaged $8.7 million per month during the fiscal year. This was 14% higher than the budget expectation of $7.6 million. The Operating Theater generated some $14.4 million during the year and was the highest revenue generating area for the hospital. Revenues from our operating theatre were up 17% for the year; Pharmacy saw a 15% increase; and there was a 10% increase in Accident and Emergency.



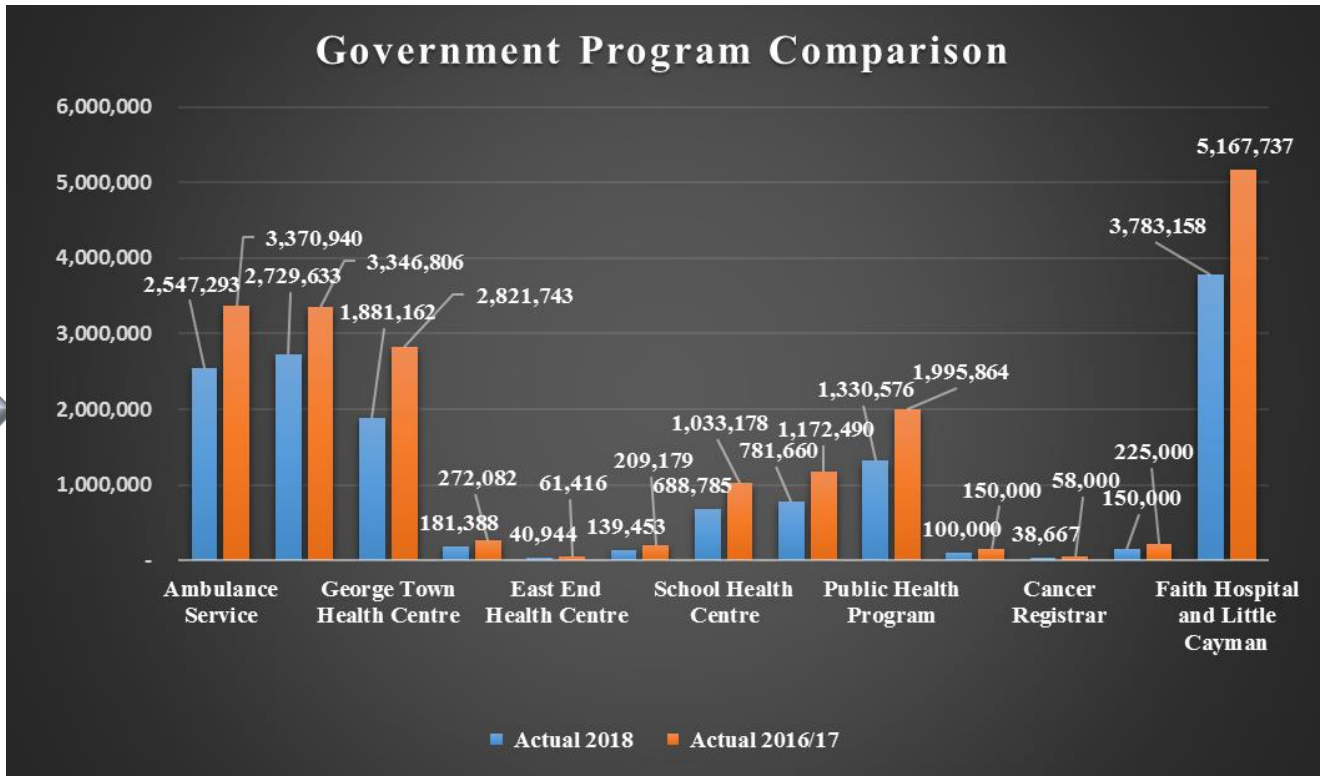
The increased revenue performance is consistent with the increased numbers for patient statistics. In 2018 we saw a 4% increase each on patient days, bed occupancy rate and daily census. There was an 8% increase on outpatient visits in Grand

Cayman, and an 11% increase on outpatient visits at Faith Hospital.

Expenses

Operating Expenses for the year were $119.3 million, of which, 68% percent ($81.3m) relates to personnel cost. Personnel costs exceeded budget expectations by $13.1 million due to the impact of the unbudgeted post-retirement healthcare liability.

We closed the 2018 fiscal year with 52 unfilled vacancies at a savings of some $3.3 million.



These savings were partially offset by negative variance in overtime cost.

Savings of $516 thousand were recorded in other operating expenses. These were largely due to unused leases and reduced expenditure on public relations projects.

Increases in the number of patient encounters and pharmacy sales resulted in an increase of $2.6 million for drugs and other supplies when compared to the budget.

Other factors which also contributed to this increase were:

i. purchases for the first 3 months came from outstanding orders at old prices;

ii. drug shortages resulting from the damages to Puerto Rico (a hub of major drug manufacturing operations) from the 2017 hurricane season;

iii. Increase in new drugs (non-formulary items) and/or treatment modalities; and

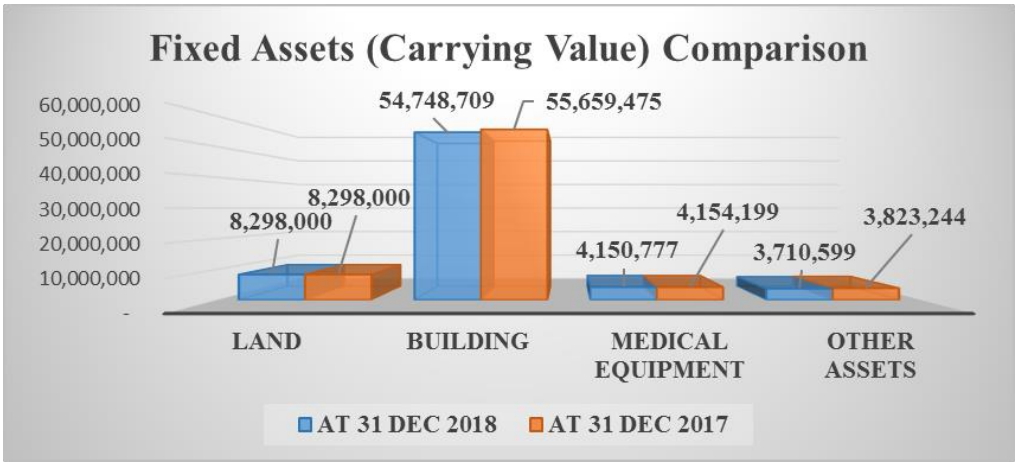
iv. Ongoing global shortages of high volume and critical drugs.

Cash

Increased revenue and a decrease in actual cash expenditures (after removing the impact of depreciation and post-retirement health) resulted in a net increase of $10.7 million to our cash and cash equivalents (inclusive of fixed deposits), and a closing cash balance of some $42.6 million (representing 135 days of cash reserve).

The record closing cash position also stemmed from enhanced collections and stricter controls for the collection of deposits and co-payments.

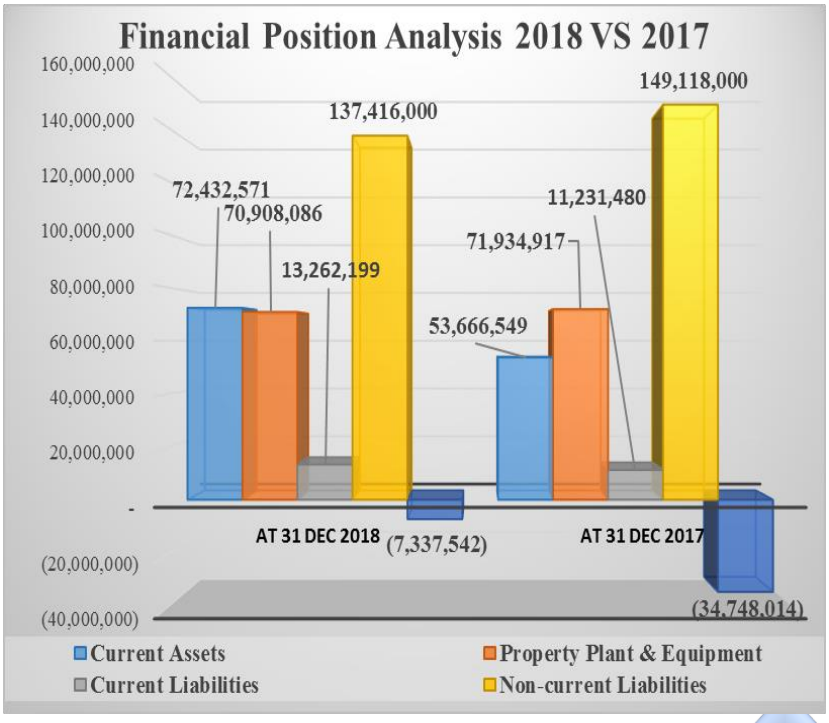
The Government's health insurer CINICO is a major contributor to patient revenues. There was a significant increase in collections from CINICO during 2018. This was mainly due to active work on coding (in-house and outsource), and the timely filing of claims. Collections from the Ministry of Health also improved with the timely settlement of invoices submitted during the year.



assets. This mix enabled the Authority to close with a 5.46:1 current ratio, meaning we had $5.46 in current assets for each dollar in current liabilities.

Our improvement in total assets relates mostly to the improved collection of past due receivables, increased revenues, and an improved estimate of collectability for our doubtful debt portfolio.

The HSA has a legal requirement to maintain 90-days of cash reserve (estimated at $28.5 million) on hand at all times. To maximize the returns from our cash asset, we sent a request to all six local class A banks and asked them to provide their best interest rate for fixed deposits of a set amount for 1 year. After analysing the returns, we placed $25 million of our cash reserves on fixed deposit, ensuring that we appropriately managed concentration risk by placing it at more than one institution. A similar bidding exercise will be carried out once the funds mature.

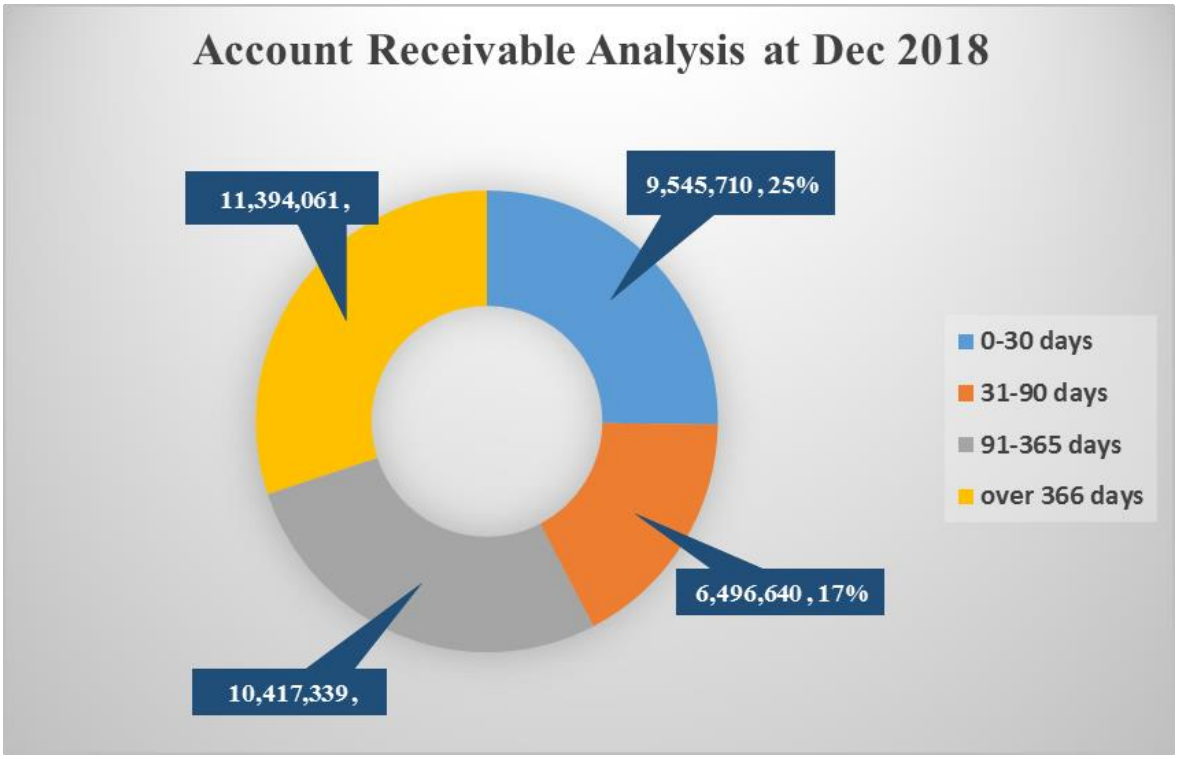


Assets

Assets increased by $20.5 million when compared to the budget for the period ended December 31, 2018. 49% of our assets represents property, plant and equipment, while 51% represents currents

Liabilities

Our liability balance increased by $125.7 million when compared to the budget for the period ended December 31, 2018. This amount consists of the unfunded healthcare benefits (91%), accounts payable and accrued expenses (4%), and unfunded pension benefits (5%). The increase against budget is mainly due to recognition of post-retirement healthcare benefits of employees.



Collections and Bad Debt

The decrease shown in the provision for bad debt reflects enhanced strategies to recover outstanding balances owed to the HSA for the delivery of services and medicine.

We receive payments for patient services from the central Government (through Output programmes), private insurers, and directly from our patients (self-pay). Our reimbursement and collections amount vary significantly depending on the type of third-party payor.

Self-pay revenues are derived from providing health care services to patients without health insurance coverage, and from the "patient responsibility portion" that is not covered by an individual's health plan.

Collections from "self-payors" is typically more difficult than collections from government health care programmes or insurance companies. More than 50% of our doubtful debts are attributable to patients classed as "Self-Pay."

In 2018, we signed an agreement with a third-party to assist in the recovery of some $44.5 million of our self-pay receivables which remains outstanding for over a year.

This follows a pilot programme in 2017 to assess the efficacy of this collection strategy. Based on the result of the pilot, we've revised our internal write-off policy to reduce the portion estimated as uncollectible based on the age and payor mix of our receivables portfolio.

In accordance with IFRS, changes in estimates are to be recognized prospectively. This means, the relevant adjustments were made in 2018, and our future accounts will be presented on the basis of the new estimate.

HEALTH SERVICES AUTHORITY
CAYMAN ISLANDS
Caring People. Quality Service.

Office of the
Chief Executive Officer

95 Hospital Road, PO Box 915
Grand Cayman KY1-1103, CAYMAN ISLANDS
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Fax: (345) 244 2998

Statement of Responsibility for the Financial Statements

These financial statements have been prepared by the Cayman Islands Health Services Authority ("Health Authority") in accordance with the provisions of the *Public Management and Finance Law* (*2018 Revision*), and *International Financial Reporting Standards*.

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the *Public Management and Finance Law* (*2018 Revision*), and *International Financial Reporting Standards*.

As the Chief Executive Officer and Chairman of the Board of Directors of the Health Authority, we are responsible for establishing; and have established and maintained a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorised by law, and properly record the financial transactions of the Health Authority.

As Chief Executive Officer and Financial Officer, we are responsible for the preparation of the Health Authority's financial statements and for the judgements and estimates made in them.

We confirm that these financial statements fairly present the financial position, comprehensive income and cash flows of the Health Authority for the year ended 31 December 2018.

To the best of our knowledge, we represent that these financial statements:

(a) completely and reliably reflect the financial transactions of the Health Authority for the year ended 31 December 2018;

(b) fairly reflect the financial position as at 31 December 2018 and comprehensive income for the year ended 31 December 2018; and

(c) comply with the provisions of the *Public Management and Finance law* (*2018 Revision*) and *International Financial Reporting Standards*.

The Office of the Auditor General has conducted an independent audit and expressed an opinion on the accompanying financial statements. The Office of the Auditor General has been provided access to all the information necessary to conduct an audit in accordance with International Standards on Auditing.

Lizzette Yearwood

Chief Executive Officer

Date: 30 April 2019

Jonathan Tibbetts

Chairman

Date: 30 April 2019

Dawn Cummings

Chief Financial Officer

Date: 30 April 2019

Office of the Auditor General
CAYMAN ISLANDS

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Auditor General's Report

To the Board of Directors of the Cayman Islands Health Services Authority

Opinion

I have audited the financial statements of the Cayman Islands Health Services Authority (the "Authority" or the "HSA"), which comprise the statement of financial position as at 31 December 2018 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2018, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 11 to 52.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Cayan Islands Health Services Authority as at 31 December 2018 and its financial performance and its cash flows for the year ended 31 December 2018 in accordance with International Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with International Standards on Audit (ISAs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Authority in accordance with the International Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, together with the ethical requirements that are relevant to my audit of the financial statements in the Cayman Islands, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

I draw attention to note 22 of the financial statements, which states that the recognition of post-retirement health liability resulted in a net deficit of $7.3 million. This event raised a substantial doubt about the Health Authority's ability to continue as a going concern. The note also describes the series of action plans taken by management to alleviate this concern.

My opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards 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.

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, I exercise judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I have undertaken the audit in accordance with the provisions of Section 60(1)(a) of the *Public Management and Finance Law (2018 Revision)* and *Section 24(1) of the Health Services Authority Law (2010 Revision).* I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Sue Winspear
Auditor General

30 April 2019
Cayman Islands

Statement of Financial Position

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	Note	December 31, 2018	Budget	December 31, 2017
		(expressed in Cayman Islands dollars)		
ASSETS				
Current assets				
Cash and cash equivalents	4	22,616,648	27,053,728	31,892,703
Short-term investments	5	20,000,000	-	-
Accounts receivable - net	6	19,460,664	16,622,294	12,246,401
Other receivables - net	7	2,603,434	1,621,019	2,393,771
Inventory - net	8	7,344,515	5,787,170	6,306,218
Advances to suppliers		150,841	1,001,553	265,505
Prepaid expenses		256,469	366,986	561,951
Total Current Assets		**72,432,571**	**52,452,750**	**53,666,549**
Non-Current Assets				
Fixed assets	9	70,908,086	70,415,083	71,934,917
Total Non-Current Assets		**70,908,086**	**70,415,083**	**71,934,917**
Total Assets		**143,340,657**	**122,867,833**	**125,601,466**
LIABILITIES				
Current Liabilities				
Accounts payable and accrued expenses	10	6,517,199	7,218,482	3,799,480
Employee pension benefits, net	16	6,745,000	17,761,000	7,432,000
Total Current Liabilities		**13,262,199**	**24,979,482**	**11,231,480**
Non-current liabilities				
Employee healthcare benefits, net	17	137,416,000	-	149,118,000
Total Liabilities		**150,678,199**	**24,979,482**	**160,349,480**
Net Assets		**(7,337,542)**	**97,888,351**	**(34,748,014)**
Represented by:				
Contributed capital		140,805,201	141,444,752	140,805,201
Accumulated deficit		(207,517,281)	(71,138,939)	(208,008,753)
Other comprehensive income		31,792,000	-	4,873,000
Asset revaluation		27,582,538	27,582,538	27,582,538
Net Worth		**(7,337,542)**	**97,888,351**	**(34,748,014)**

See accompanying notes to financial statements.

Statement of Comprehensive Income

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY
STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended 31 December, 2018

	Note	December 31, 2018	Budget	December 31, 2017 (18 Months)
		(expressed in Cayman Islands dollars)		
Revenue				
Patient services fees	11	104,092,871	91,615,922	138,687,735
Government programme	12	14,392,718	14,394,290	19,884,435
Other income		1,290,148	697,350	1,918,250
Total Revenue		**119,775,737**	**106,707,562**	**160,490,420**
Operating Expenses				
Staff costs	13	81,329,054	68,200,720	112,166,026
Supplies and materials		15,312,305	13,916,773	22,843,942
Other operating expense	14	6,498,657	7,014,704	8,882,770
Provision for doubtful debts	6, 7	5,041,458	5,610,509	11,091,467
Depreciation	9	3,419,770	3,420,641	5,026,387
Utilities		2,934,520	2,942,614	3,895,640
Insurance		2,171,058	2,645,000	3,373,291
Legal and professional fees	15	1,522,621	1,618,251	1,032,606
Travel and subsistence		421,636	528,999	694,448
Inventory write-downs	8	317,982	-	48,236
Training		268,699	405,300	288,260
Reference materials		46,505	66,551	48,321
Total Operating Expenses		**119,284,265**	**106,370,062**	**169,391,394**
Net income (loss) for the year		**491,472**	**337,500**	**(8,900,974)**
Other comprehensive income				
Re-measurement of defined benefit pension	16	1,382,000	-	7,576,000
Re-measurement of defined healthcare benefit	17	25,537,000	-	12,763,000
		26,919,000	**-**	**20,339,000**
Total Comprehensive income for the year		**27,410,472**	**337,500**	**11,438,026**

See accompanying notes to financial statements.

Statement of Changes in Equity

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY
STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 December, 2018

(expressed in Cayman Islands dollars)

	Note	Contributed capital	Accumulated deficit	Other comprehensive (loss) income	Asset revaluation	Total
Balance, 1 July 2016		**138,262,937**	**(199,107,779)**	**(15,466,000)**	**27,582,538**	**(48,728,304)**
Net loss for the period		-	(8,900,974)	-	-	(8,900,974)
Other comprehensive income for the period		-	-	20,339,000	-	20,339,000
Capital contribution during the period	20	2,542,264	-	-	-	2,542,264
Balance, 31 December 2017		**140,805,201**	**(208,008,753)**	**4,873,000**	**27,582,538**	**(34,748,014)**
Net income for the year		-	491,472	-	-	491,472
Other comprehensive income for the year		-	-	26,919,000	-	26,919,000
Capital contribution during the year	20	-	-	-	-	-
Balance, 31 December 2018		**140,805,201**	**(207,517,281)**	**31,792,000**	**27,582,538**	**(7,337,542)**

See accompanying notes to financial statements.

Statement of Cash Flows

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY
STATEMENT OF CASH FLOWS

For the Year Ended 31 December, 2018

	Note	December 31, 2018	Budget	December 31, 2017 (18-Months)
		(expressed in Cayman Islands dollars)		
Cash provided by/(applied in):				
Operating activities				
Net income (loss) for the year		491,472	337,500	(8,900,974)
Add item not affecting working capital:				
Provision for doubtful debts	6, 7	5,041,458	5,610,509	11,091,467
Depreciation	9	3,419,770	3,420,641	5,026,387
Inventory write-downs	8	317,982	-	48,236
Loss on disposal of fixed assets		-	-	110,261
Net Changes in non-cash working capital balances relating to operations:				
Accounts receivable, net, (increase) decrease		(12,255,721)	(5,444,372)	4,637,579
Other receivables, (increase) decrease		(209,663)	943,465	(17,199)
Inventory, net, (increase) decrease		(1,356,279)	(500,000)	1,015,765
Advances to suppliers, decrease (increase)		114,664	(100,000)	(265,505)
Prepaid expenses, decrease (increase)		305,482	(5,000)	(445,284)
Accounts payable and accrued expenses, increase (decrease)		2,717,719	160,000	(2,705,096)
Employee pension benefits, net increase	16	695,000	1,000,000	1,747,000
Employee healthcare benefits, net increase	17	13,835,000	-	19,003,000
Net cash generated from operating activities		**13,116,884**	**5,422,743**	**30,345,637**
Investing activities				
Cost of fixed assets purchased	9	**(2,392,939)**	**(3,500,000)**	**(2,494,550)**
Short-term investments	5	**(20,000,000)**	-	-
Net cash used in investing activities		**(22,392,939)**	**(3,500,000)**	**(2,494,550)**
Financing activities				
Capital contribution from Government	20	-	-	1,533,382
Loans payable, net of payment		-	-	(1,388,608)
Net cash generated from financing activities		**-**	**-**	**144,774**
(Decrease) Increase in cash during the year		(9,276,055)	1,922,743	27,995,861
Cash and cash equivalents at beginning of year		31,892,703	25,130,985	3,896,842
CASH AND CASH EQUIVALENTS AT END OF YEAR		**22,616,648**	**27,053,728**	**31,892,703**

See accompanying notes to financial statements.

1. Background information

The Cayman Islands Health Services Authority (the "Health Authority") is a statutory body established on July 1, 2002 under the Health Services Authority Law. The purpose of the Health Authority is to provide health care services and facilities in the Cayman Islands in accordance with the National Strategic Plan for Health prepared by the Cayman Islands Government (the "Government").

The Health Authority is comprised of the following health care agencies:

- Cayman Islands Hospital
- Faith Hospital
- Community-based service:
  - Little Cayman Health Centre
  - George Town General Practice Clinic
  - West Bay Health Centre
  - Bodden Town Health Centre
  - East End Health Centre
  - North Side Health Centre
  - Public Health Unit
  - Lions Eye Clinic
  - George Town Dental Clinic
  - Merren's Dental Clinic
  - Cayman Brac Dental Clinic

The Health Authority is located on Hospital Road, PO Box 915, Grand Cayman, KY1-1103 Cayman Islands.

Comparative Information:

The Health Authority's financial year was changed from 30 June to 31 December as a result of an amendment to the *Public Management and Finance Law (2013 Revision)* that was passed by the Legislative Assembly on 27 March 2017. Accordingly, the financial statements have been prepared for the 12-month period ended 31 December 2018 and 18-month for the period ended 31 December 2017, therefore the comparatives for period ended 31 December 2018 are not entirely comparable to the 31 December 2017 numbers.

Notes to the Financial Statements

For the year ended 31 December 2018
(expressed in Cayman Islands dollars)

2. Changes in Accounting Standards/ IFRS

A) Amendments to published standards effective January 1, 2018:

(i) IFRS 9 Financial Instruments (Effective for annual periods beginning on or after 1 January 2018)

A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas: (1) Classification and measurement, (2) Impairment, (3) Hedge accounting and (4) Derecognition.

(ii) IFRS 15 Revenue from Contracts with Customers (Effective for annual periods beginning on or after 1 January 2018).

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows: (1) Identify the contract with the customer, (2) Identify the performance obligations in the contract, (3) Determine the transaction price, (4) Allocate the transaction price to the performance obligations in the contracts, and (5) Recognise revenue when (or as) the entity satisfies a performance obligation.

B) Relevant standards and amendments issued prior to January 1, 2018 but not effective until future periods and are predicted to have an impact on Health Authority:

(i) IFRS 17 Insurance Contracts (Effective for annual periods beginning on or after 1 January 2021)

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provide a more uniform measurement and presentation approach for all insurance contracts.

(ii) Amendments on IAS 28 Long-term Interests in Associates and Joint Ventures (Effective for annual periods beginning on or after 1 January 2019).

Clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

(iii) Amendments to IAS 19 Plan Amendment, Curtailment or Settlement (Effective for annual periods beginning on or after 1 January 2019).

If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the measurement are determined using the assumptions used for the re-measurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

2. Changes in Accounting Standards/ IFRS (continued)

B) Relevant standards and amendments issued prior to January 1, 2018 but not effective until future periods and are predicted to have an impact on Health Authority (continued):

(iv) IFRS 16, Leases (Effective for annual periods beginning on or after 1 January 2019)

In January 2016, the IASB issued IFRS 16, "Leases" which replaces IAS 17, "Leases". IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard establishes a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The standard is effective for annual periods beginning on or after 01 January 2019, with early adoption permitted (as long as IFRS 15 is also applied).

(v) Amendments to References to the Conceptual Framework in IFRS Standards - (Effective for annual periods beginning on or after 1 January 2020)

Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC-32.

The impact of these changes shall be additional disclosures in the financial statements in succeeding years.

3. Significant accounting policies

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The principal accounting policies adopted by the Health Authority are as follows:

(a) Basis of accounting

The financial statements of the Health Authority are prepared on an accrual basis under the historical cost convention except for: (1) the annual revaluation of land and buildings [see (d) below] and (2) employee benefits [see (j) below].

Changes in accounting policies

When presentation or reclassification of items in the financial statements is amended or accounting policies are changed, comparative figures are restated to ensure consistency with the current period unless it is impracticable to do so.

Notes to the Financial Statements

For the year ended 31 December 2018
(expressed in Cayman Islands dollars)

3. Significant accounting policies (continued)

(b) Use of estimates

The preparation of financial statements in accordance with IFRS 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 income and expenses during the year. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year of the revision and future years, where applicable.

(c) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Authority's business model for managing them. In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. All debt instruments are classified as "Hold to collect and sell" and recognized as fair value through OCI. The debt instruments were previously classified as available for sale under IAS 39. Accounts receivables are measured at the transaction price determined under IFRS 15.

Cash and Cash Equivalents classified as loans and receivables under IAS 39 have been reclassified to amortized cost at the adoption date of the standard.

The Authority's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Authority commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Financial assets (continued)

Subsequent measurement (continued)

All debt instruments are subsequently measured at fair value with gains and losses arising due to change in the fair value recognized in OCI. Interest income and foreign change gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortised cost.

Derecognition

The Authority has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Authority has transferred substantially all the risks and rewards of the asset, or (b) the Authority has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or loss.

Impairment of financial assets

The Authority recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Authority expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For accounts receivables, the Authority applies a general approach in calculating ECLs.

For debt instruments at fair value through OCI, the Authority applies the low credit risk simplification. At every reporting date, the Authority evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Authority reassesses the credit rating of the debt instrument. In addition, the Authority considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

Notes to the Financial Statements

For the year ended 31 December 2018
(expressed in Cayman Islands dollars)

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Financial liabilities comprise accounts payable and accrued expenses, employee benefits and provision.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

(iii)Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

(d) Fixed assets and depreciation

Land and buildings held for use in the supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the statement of financial position date.

Any revaluation increase arising on the revaluation of such land and buildings is credited in net worth to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the statement of comprehensive income, in which case the increase is credited to the statement of comprehensive income to the extent of the decrease previously charged.

A decrease in the carrying amount arising on the revaluation of such land and buildings is charged to the statement of comprehensive income to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

3. Significant accounting policies (continued)

(d) Fixed assets and depreciation (continued)

Depreciation on revalued buildings is charged to statement of comprehensive income. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings (deficit). No transfer is made from the revaluation reserve to retained earnings (deficit) except when an asset is derecognised.

Properties in the course of construction for the main healthcare business, administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Health Authority's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Medical equipment and other fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged to recognize the consumption of an asset, other than land and properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation is charged to the statement of comprehensive income on a straight-line basis based on the following periods estimated to write off the cost of the assets over their expected useful lives:

Buildings	50 years
Medical equipment	8-15 years
Other fixed assets	3-15 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of fixed asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

(e) Impairment

The carrying amount of the Health Authority's assets other than inventory (see note 3(h)) is reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Notes to the Financial Statements

For the year ended 31 December 2018
(expressed in Cayman Islands dollars)

3. Significant accounting policies (continued)

(f) Foreign currency translation

Transactions in foreign currencies are translated at the prevailing foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Cayman Islands dollars at the prevailing exchange rate at the statement of financial position date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Cayman Islands dollars at the prevailing foreign currency exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the Cayman Islands dollars at the prevailing foreign exchange rates at the dates that the values were determined.

(g) Allowance for doubtful debts

Health Authority uses the allowance method to record its estimated annual expense for doubtful debts. Under the allowance method, receivables are written off against the allowance for doubtful debts (a contra asset account) when management believes that the collectability of the account is unlikely. The allowance is an amount that management believes will be adequate to cover any doubtful debts, based on an evaluation of collectability and prior doubtful debts experience.

(h) Inventory

Inventory is valued at the lower of net realisable value or cost, on a moving average basis. Inventory is recorded net of obsolete and expired items.

(i) Revenue recognition

Health Authority adopted IFRS 15 (Revenue from Contracts with Customers) from January 1st, 2018. Patient revenue including government programme is recognized upon transfer of promised goods or services to customers in an amount that reflects the consideration to which the Authority expects to be entitled in exchange of goods or services. This core principle is delivered in a five-step model framework which are: (1) Identify the contract with a customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to the performance obligations in the contract; and (5) Recognize revenue when the Authority satisfies a performance obligation.

Other income such as donation, interest on deposits, rental and other miscellaneous income are recognized when the condition (if any) relating to a donation is met, or the agreed criteria for interest revenue has been settled or when services are provided.

(j) Employee benefits

The Health Authority employees and their dependants receive free medical benefits of which a portion is provided by the Health Authority. The portion provided by the Health Authority within its facility is valued at $5,467,898 (*2017: $6,928,396*). This amount is netted against revenue as this is considered as contractual adjustments.

The Health Authority provides post-employment benefits through defined benefit and defined contribution plans.

3. Significant accounting policies (continued)

(j) Employee benefits (continued)

Defined benefit plans

The Health Authority's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of plan assets. The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected unit credit method prorated on service and Management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees, and mortality rates. When the calculation results in a net benefit asset, the recognised assets are limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income (loss). The net interest expense on the net defined benefit liability for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

The discount rate used to value the defined benefit obligation is based on a combination of high-quality corporate bonds, in the same currency in which the benefits are expected to be paid and with terms to maturity that, on average, match the terms of the defined benefit obligations and the long-term rate of return of plan assets.

In addition to employee pension benefits, the Health Authority also provides certain employee health care benefits to certain current and future retirees. To be eligible, employees must meet the following criteria at retirement: hired prior to 1 November 2010; complete 10 consecutive years with the Health Authority and Cayman Islands Government (CIG) as principal employer; retire from the Health Authority at age 65 (statutory retirement age) or after age 50 (early retirement age) on the advice of the Medical Board; hired by CIG and transferred to the Health Authority without a break in service.

Notes to the Financial Statements

For the year ended 31 December 2018
(expressed in Cayman Islands dollars)

3. Significant accounting policies (continued)

(j) Employee benefits (continued)

Defined benefit plans (continued)

In accordance with IAS 19, the Health Authority recognizes a liability when an employee has provided services in exchange for employee benefits to be paid in the future; and an expense when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits. These amounts are reported in the statements of financial position and comprehensive income, respectively. They are also presented in additional details in the notes to the financial statements.

The Health Authority presently pays its post-retirement health care obligations annually from its operating expenditure budget. The Health Authority is presently considering alternative funding arrangements which will set aside funds to meet future post-retirement health care obligations as and when they fall due.

Defined Contribution Plans:

The Health Authority's obligations for contributions to employee defined contribution pension plans are recognized in the statement of comprehensive income in the periods during which services are rendered by employees.

(k) Provisions

Provisions are recognised when Health Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that the Health Authority will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

(l) Leases

Lease agreements in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the state of comprehensive income on a straight-line basis over the period of the lease.

4. Cash and cash equivalents

		2018		2017
Petty cash		8,900		8,900
Bank accounts		22,607,748		31,883,803
	CI$	**22,616,648**	**CI$**	**31,892,703**

At 31 December 2018, out of the $4 million unsecured bank overdraft facility which is reviewed annually, nil (2017: $303,010) was used for the entire year.

5. Short-term investments

		2018		2017
12-month fixed deposits		20,000,000		-
	CI$	**20,000,000**	**CI$**	**-**

Health Authority placed $20 million on twelve-month fixed deposits with First Caribbean International Bank and Cayman National Bank ($10 million at each institution). The fixed deposits mature on May 30, 2019 and June 4, 2019 and currently earn annual interest rates of 2.44% and 2.45%, respectively. These funds are accessible on demand and reflects the Health Authority's targeted cash management strategy to realize greater returns on cash held as part of the 90-day reserve and to manage concentration risk. Therefore, while these deposits are classified as "short-term investments", they represent in substance, a significant portion of the Health Authority's 90-day cash reserve. This renders the Authority compliant with its statutory requirement for cash reserves as at the fiscal year end.

Notes to the Financial Statements

For the year ended 31 December 2018
(expressed in Cayman Islands dollars)

6. Accounts receivable - net

		2018		2017
Gross accounts receivable		37,853,750		96,828,877
Allowance for doubtful debts		(18,393,086)		(84,582,476)
	CI$	**19,460,664**	**CI$**	**12,246,401**

Allowance for doubtful debts movement:

	2018		2017
Balance at beginning of the year		84,582,476	89,716,923
Additional provisions		5,085,964	10,972,490
Additional contractual adjustments		666,882	1,517,655
Write-offs		(71,942,236)	(17,624,592)
	CI$	**18,393,086**	**CI$** **84,582,476**

Below is the aging profile of accounts receivable as at 31 December 2018 and 31 December 2017:

	2018		2017
1-30 days		9,545,710	6,486,218
31-90 days		6,496,640	5,272,863
91-365 days		10,417,339	10,523,381
Over 365 days		11,394,061	74,546,416
	CI$	**37,853,750**	**CI$** **96,828,878**

7. Other receivables - net

		2018		2017
Cabinet receivable		2,178,025		3,913,182
Other accounts receivable		678,412		394,694
Contractual adjustment (Note 3j)		-		2,635,882
Salary advance		44,830		52,976
	CI$	**2,901,267**	**CI$**	**6,996,734**
Less allowance for doubtful debts		297,833		4,602,963
	CI$	**2,603,434**	**CI$**	**2,393,771**

7. Other receivables - net (continued)

Allowance for doubtful debts movement:

		2018		2017
Balance at beginning of the year		4,602,963		6,824,208
Additional provisions (recovery)		(44,506)		118,977
Additional contractual adjustment (Note 3j)		5,467,898		6,928,396
Write-offs		(9,728,522)		(9,268,618)
	CI$	**297,833**	**CI$**	**4,602,963**

Health Authority provided medical benefits to its employees and their dependents during the period under review. These benefits were recorded as contractual adjustment (or reduction to revenue) with an allowance for bad debts, as these are not collectible.

Accounts Receivable balances are written off monthly based on adjudication from British Caymanian with an uncollectible allowance of 100 percent provided for any remaining balance. Additional disclosure is presented as part of Note 13- Staff Costs.

8. Inventory - net

		2018		2017
Pharmaceutical supplies		3,646,532		2,732,470
Medical Supplies		4,094,219		3,706,363
Other Supplies		353,426		450,142
	CI$	**8,094,177**	**CI$**	**6,888,975**
Less allowance for inventory impairment		749,662		582,757
	CI$	**7,344,515**	**CI$**	**6,306,218**

The cost of inventories recognized as operating expenses during the year was $15,312,305 (*2017: $22,843,942*).

The inventory write-downs presented in the Statement of comprehensive income for the year ended 31 December 2018 amounts to $317,982 (*2017: $48,236*) and this represent the write-off for expired drugs and inventory adjustments following the year end count.

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Cayman Islands dollars)

9. Fixed assets

For the year ended December 31, 2018	Land	Buildings	Medical Equipment	Other assets	Total
Cost:					
At beginning of year	8,298,000	57,978,334	17,453,510	15,874,370	**99,604,214**
Additions during year	-	688,451	1,032,576	671,961	**2,392,988**
Derecognition during year	-	-	(5,647)	(70,357)	**(76,004)**
At end of year	8,298,000	58,666,785	18,480,439	16,475,974	**101,921,198**
Accumulated depreciation:					
At beginning of year	-	2,318,859	13,299,311	12,051,127	**27,669,297**
Charge for year	-	1,599,217	1,035,997	784,556	**3,419,770**
Derecognition during year	-	-	(5,647)	(70,308)	**(75,955)**
At end of year	-	3,918,076	14,329,661	12,765,375	**31,013,112**
Carrying Value at Dec 31, 2018	**8,298,000**	**54,748,709**	**4,150,778**	**3,710,599**	**70,908,086**

For the period ended December 31, 2017	Land	Buildings	Medical Equipment	Other assets	Total
Cost:					
At beginning of period	8,298,000	55,557,715	16,696,838	15,560,492	**96,113,045**
Additions during period	-	2,420,619	1,509,787	492,788	**4,423,194**
Derecognition during period	-	-	(753,115)	(178,910)	**(932,025)**
At end of the period	8,298,000	57,978,334	17,453,510	15,874,370	**99,604,214**
Accumulated depreciation:					
At beginning of period	-	-	12,278,144	11,186,529	**23,464,673**
Charge for period	-	2,318,859	1,661,763	1,045,765	**5,026,387**
Derecognition during period	-	-	(640,596)	(181,167)	**(821,763)**
At end of period	-	2,318,859	13,299,311	12,051,127	**27,669,297**
Carrying Value at Dec 31, 2017	**8,298,000**	**55,659,475**	**4,154,199**	**3,823,244**	**71,934,917**

Included in other fixed assets are: cost of buildings under construction, computer hardware & software, furniture & fittings, motor vehicles and office equipment. The cost of buildings under construction as at 31 December 2018 amounts to $185,050 (*2017: nil*).

9. Fixed assets (continued)

Under the Health Services Authority Law, the Cayman Islands Government vested various health care facilities in the Cayman Islands into the Health Services Authority. These properties were valued on January 1, 2001, June 17, 2011 and July 5, 2016 by the Department of Lands & Survey and DDL Studio Ltd., an independent appraiser, respectively on depreciated replacement cost basis. The June 30, 2016 balance of fixed assets after asset revaluation on the same date includes an amount relating to gross revaluation surplus of $11,490,780 (included in statement of changes in net worth) and gross revaluation loss of $934,025 (charged to statement of comprehensive income).

10. Accounts payable and accrued expenses

		2018		2017
Accounts Payable		4,837		898,456
Accrued expenses		3,726,244		2,647,151
Other payable		2,554,902		-
Employee benefits (Note 3 (j))		231,216		253,873
	CI$	**6,517,199**	**CI$**	**3,799,480**

11. Patient services fees

		2018 (12 Months)		2017 (18 Months)
Fees from the rendering of services - net		80,698,614		108,086,698
Fees from sale of goods		23,394,257		30,601,037
	CI$	**104,092,871**	**CI$**	**138,687,735**

The amounts shown above for fees from sale of goods are derived from the sale of drugs at pharmacy stores, district clinics, wards and all other locations. Patient services sold to the Government under Purchase Agreement such as medical care for beyond insurance coverage and indigent are included in the above. Health Authority recorded a shortfall on the indigent output in the amount of $10,295,144 which was ultimately funded through approved supplement and Segregated Insurance Fund (SIF). Also, an additional shortfall in the amount of $355,172 was noted on the uninsured children and geriatric outputs which is still waiting for supplement funding approval.

The amount netted against fees from rendering of services, represent the medical benefit of employees and their dependants that has been provided by Health Authority.

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12. Government programmes

	2018 (12 Months)	2017 (18 Months)
Faith Hospital	3,783,158	5,167,737
Mental Health	2,729,632	3,346,806
Ambulance	2,547,293	3,370,940
District Clinics	2,242,947	3,364,420
Public Health	1,330,576	1,995,864
Special Needs	781,660	1,172,490
School Health	688,785	1,033,178
Medical Internship	150,000	225,000
Child Abuse Program	100,000	150,000
Cancer Registrar	38,667	58,000
	CI$ 14,392,718	**CI$ 19,884,435**

The amount reported as government programmes as stated above has no budget shortfall for both years ended 31 December 2018 and 31 December 2017.

13. Staff costs

	2018 (12 Months)	2017 (18 Months)
Salaries & Wages (including overtime)	54,620,524	75,312,052
Health Care – Overseas/Local	4,580,819	5,937,612
Pension Contribution	3,252,146	4,180,013
Other Staff Cost	2,372,230	3,248,981
Allowances	1,973,335	2,737,368
Unfunded Defined Benefit, net of re-measurement (Notes 16,17)	14,530,000	20,750,000
	CI$ 81,329,054	**CI$ 112,166,026**

The Health Authority employees and their dependants receive free medical benefits within the Authority's facilities and is valued at $5,467,898 (*31 December 2017: $6,928,396*), as discussed in Note 3(j) this is netted against revenue. Therefore, the total health care cost of employees and their dependants amounts to $10,048,717 (*2017: $12,866,008*) excluding the unfunded defined benefit portion of healthcare cost for current and future retirees.

14. Other operating expenses

	2018 (12 Months)	2017 (18 Months)
Software licensing fees	1,468,266	2,493,491
Repairs and maintenance	1,062,719	1,267,951
Freight and shipping	983,993	1,502,443
Overseas laboratory tests	767,637	946,631
Leases	710,319	549,866
Mail courier service	233,149	338,922
Computer maintenance	176,133	293,165
Public relations and publicity	137,848	282,815
Advertising	125,443	104,266
Bank charges	101,039	108,301
Loss on disposal of fixed assets	50	110,261
Finance charges	-	46,352
Custom duties	-	157
Miscellaneous	732,061	838,149
	CI$ 6,498,657	**CI$ 8,882,770**

15. Legal and professional fees

	2018 (12 Months)	2017 (18 Months)
Professional fees	1,168,724	686,723
Legal fees	223,100	197,109
Audit services	125,000	140,000
Others	5,797	8,774
	CI$ 1,522,621	**CI$ 1,032,606**

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16. Employee pension benefits, net

(a) Defined Benefit Plan

The Public Service Pension Plan (the "Plan") is managed by the Public Service Pension Board (the "PSPB"). The PSPB is responsible for, among other things, administering the Public Service Pensions Fund (the "Fund"), communicating with plan participants and employers, prescribing contribution rates in accordance with the latest actuarial valuation and recommending amendments to the Plan as needed.

In March 2005, the Government's Financial Secretary informed the Health Authority that the decision to keep the unfunded defined benefit liability a central liability of the Government has been reversed and the Health Authority is expected to recognize the unfunded defined benefit pension liability on its financial statements.

Contributions towards benefits accruing in respect of the current service (i.e. for the period since the employee was enrolled in the plan) are funded at rates periodically advised to Health Authority by the Pensions Board and are recognised as an expense in the period incurred. The Health Authority is also required to make payments to the plan to fund benefits accruing in respect of past service (the "past service funding liability").

This past service funding liability, which is generally equivalent to the actuarially determined present value of the defined benefit obligations less the value of the assets available to meet such obligations, is calculated periodically by the Plan actuaries and reported to the Health Authority by the Pensions Board.

The Health Authority recognizes changes in the past service funding liability, adjusted for funding payments made, as an expense or gain in the period in which such changes are incurred.

16. Employee pension benefits, net (continued)

(a) Defined Benefit Plan (continued)

To determine the defined benefit obligation of the Health Authority under the Plan, a professional actuary of PSPB was engaged to conduct annual studies. The most recent provisional actuarial estimate was performed as of December 31, 2018 by the PSPB indicated a plan deficit attributable to the Health Authority of $6,745,000 (*2017: $7,432,000*).

Pension Expense and Reconciliation of Defined Pension Liability

	As at 31 Dec 2018	As at 31 Dec 2017
	CI$(000)	CI$(000)
Provision at the beginning of the year	7,432	13,261
Pension expense for the year	(238)	(5,157)
Employer contributions	(449)	(672)
Provision at end of year	**6,745**	**7,432**
Reconciliation of Funded Status:		
Company's share of defined benefit obligation	17,628	18,580
Less: Fair value of plan assets	(10,883)	(11,148)
Defined benefit liability	**6,745**	**7,432**
Components of Defined Benefit Cost for the year:		
Current service cost	895	1,764
Total net interest cost	249	655
Defined benefit cost included in P&L	**1,144**	**2,419**

16. Employee pension benefits, net (continued)

(a) Defined Benefit Plan (continued)

	As at 31 Dec 2018	As at 31 Dec 2017
Remeasurement Included in Other Comprehensive Income (OCI):		
Demographic assumptions change	(223)	(2,248)
Financial assumptions change	(2,681)	(2,308)
Experience adjustments	656	(1,585)
Return on plan asset (excluding interest)	866	(1,435)
Total remeasurement included in OCI	**(1,382)**	**(7,576)**
Pension Expense for the year	**(238)**	**(5,157)**

The change in fair value of plan assets is as follows:

	As at 31 Dec 2018	As at 31 Dec 2017
	CI$(000)	CI$(000)
Fair value of plan assets at beginning of year (negative)	11,148	9,843
Interest income	401	523
Cash flows		
Employer and participant contributions	684	1,018
Benefit payments from plan	(195)	(631)
Transfers between other participating employers	(289)	(1,040)
Remeasurements – return on plan assets (excluding interest income)	(866)	1,435
Fair value of plan assets at end of year (negative)	**10,883**	**11,148**

The defined benefit liability reconciliation is as follows:

	As at 31 Dec 2018	As at 31 Dec 2017
	CI$(000)	CI$(000)
Defined benefit obligation at beginning of year	18,580	23,104
Current service cost	895	1,764
Interest expense	650	1,178
Effect of changes in demographic assumptions	(223)	(2,248)
Effect of changes in financial assumptions	(2,681)	(2,308)
Effect of changes in experience adjustments	656	(1,585)
Cash flows	(249)	(1,325)
Defined benefit obligation at end of year	**17,628**	**18,580**

16. Employee pension benefits, net (continued)

(a) Defined Benefit Plan (continued)

The sensitivity analysis on defined benefit obligation is shown below:

	As at 31 Dec 2018	As at 31 Dec 2017
1. Discount rate		
a. Discount rate - 25 basis points	18,512	19,626
b. Discount rate + 25 basis points	16,804	17,608
2. Inflation rate		
a. Inflation rate - 25 basis points	16,838	17,602
b. Inflation rate + 25 basis points	18,471	19,628
3. Mortality		
a. Mortality - 10% of current rates	18,003	19,014
b. Mortality +10% of current rates	17,284	18,183

The expected cash flow for the following year is as follows:

	As at 31 Dec 2018	As at 31 Dec 2017
Expected employer contributions	375	380

The significant actuarial assumptions are presented below:

Weighted-average assumptions to determine benefit obligations	As at 31 Dec 2018	As at 31 Dec 2017
1. Discount rate	4.50%	3.80%
2. Rate of salary increase	2.50%	2.50%
3. Rate of price inflation	2.00%	2.00%
4. Rate of pension increases	2.00%	2.00%
5. Post-retirement mortality table	RP-2014 scaled back to 2006 using Scale MP-2014 then generationally projected using Scale MP-2018	RP-2014 scaled back to 2006 using Scale MP-2014 then generationally projected using Scale MP-2016
6. Cost Method	Projected Unit Credit	Projected Unit Credit
7. Asset valuation method	Market Value	Market Value

16. Employee pension benefits, net (continued)

(a) Defined Benefit Plan (continued)

Weighted-average assumptions to determine defined benefit cost	As at 31 Dec 2018	As at 31 Dec 2017
1. Discount rate used to determine:		
Current service cost	3.85%	4.10%
Interest on current service cost	3.70%	3.80%
Interest on DBO	3.50%	3.40%
2. Rate of salary increase	2.50%	3.50%
3. Rate of price inflation	2.00%	2.50%
4. Rate of pension increases	2.00%	2.50%
5. Post-retirement mortality table	RP-2014 scaled back to 2006 using Scale MP-2014 then generationally projected from 2006 using Scale MP-2016	RP-2014 projected on a generational basis using Scale MP-2014

Plan Assets

The Defined Benefit assets as well as Defined Contribution assets of the Plan are held as part of the Fund and managed by the PSPB. The assets of two other pension plans are pooled together to constitute the Fund.

The assets are notionally allocated to each of the three participating pension plans through an international accounting mechanism that tracks, for each accounting period, actual cash flows and allocates investment income based on the rate of return earned by the Fund. Based on the data provided, the gross rate of return earned by the Fund over the 12-month period, January 1, 2018 to December 31, 2018, was 4.13% per annum. Similar internal accounting is used for developing each participating entity's share of the asset portfolio of the Fund.

The valuations are based on the asset values as at 31 December 2018 provided by the PSPB, along with cash flow and other supplemental asset information provided by PSPB. The assets are held in trust by CIBC Mellon. The data provided by the PSPB has been relied upon without further audit.

The Fund currently has investment policy with a target asset mix of 80% equities and 20% bonds. As at 31 December 2018 and 31 December 2017, the Fund was invested as follows:

	As at 31 Dec 2018		As at 31 Dec 2017	
Plan Assets by Asset Category	**($000)**	**Percentage**	**($000)**	**Percentage**
Global equities securities	523,688	79%	547,500	80%
Debt securities	134,985	20%	129,083	19%
Cash	5,056	1%	9,000	1%
Total	**663,729**	**100%**	**685,583**	**100%**

16. Employee pension benefits, net (continued)

(a) Defined Benefit Plan (continued)

The share of the Fund that has been notionally allocated to the Health Authority with regards to its participation in the Defined Benefit Part of the Plan is $10,883,000 as at 31 December 2018 (*2017 : $11,148,000*).

The Actuarial Assumptions
The assumptions as at the reporting date are used to determine the present value of the benefit obligation at that date and the defined benefit cost of the following year using the actuarial assumptions approved by the Cabinet. The principal financial and demographic assumptions used at 31 December 2018 and 31 December 2017 are shown in the table below.

Measurement Date	As at 31 Dec 2018	As at 31 Dec 2017
Discount rate		
BOY disclosure and current year expense	3.80% per year	4.00% per year
EOY disclosure	4.50% per year	3.80% per year
Following year current service cost	4.55% per year	3.85% per year
Increases in pensionable earnings	2.50% per year	2.50% per year
Rate of Pension Increases	2.00% per year	2.00% per year
Mortality		
BOY disclosure and current year expense	RP-2014 scaled back to 2006 using Scale MP-2014 then generationally projected from 2006 using Scale MP-2016	RP-2014 generationally projected using Scale MP-2014
EOY disclosure and following year expense	RP-2014 scaled back to 2006 using Scale MP-2014 then generationally projected from 2006 using Scale MP-2018	RP-2014 scaled back to 2006 using Scale MP-2014 then generationally projected using Scale MP-2016
Disability	None	None
Turnover Rates	Age related table	Age related table

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16. Employee pension benefits, net (continued)

(a) Defined Benefit Plan (continued)

Measurement Date	31.12.18	31.12.17
Retirement	Age-related retirement used. See table below	Age-related retirement used. See table below
Assumed life expectations on retirement	Retiring today (member age 57): 28.80 Retiring in 25 years (at age 57): 31.08	Retiring today (member age 57): 29.13 Retiring in 25 years (at age 57): 31.42
Liability Cost Method	Projected unit credit method	Projected unit credit method
Asset Value Method	Market Value of Assets	Market Value of Assets
Commutation of pension	All members commute 25% at retirement	All members commute 25% at retirement

Turnover Rates at sample ages:

Age	Males	Females
20	7.5%	12.5%
25	5.0%	12.5%
30	3.5%	7.5%
35	2.5%	4.5%
40	1.5%	2.5%
45	0.5%	5.0%
50	0.0%	0.0%

Retirement Rates:

Age	Males
Below 55	0%
55-59	8%
60	60%
61-64	8%
65	100%

There have been no changes in actuarial assumptions since the prior valuation other than the changes to the principal assumptions shown in the table above.

16. Employee pension benefits, net (continued)

(a) Defined Benefit Plan (continued)

Participant Data
The defined benefit obligation at 31 December 2018 of the Health Authority as it relates to its participation in the Plan is based on the member data as at 30 November 2018 (73 active members). The data was updated from that used for the calculation of the defined benefit obligation as at 31 December 2017 (*30 September 2017: 76 active members*).

b) Defined contribution plan
Employees who are not participants in the defined benefit part of the Plan are enrolled in defined contribution part of the Plan. The total number of employees enrolled in the defined contribution with the PSPB at 31 December 2018 is 734 (*2017: 699*).

During the year ended 31 December 2018, the Authority and its employees contributed to the fund 6.4% and 6%, respectively (*2017: 6.4% and 6%, respectively*).

The total amount recognised as a pension expense for the year ended 31 December 2018, inclusive of both defined benefit and defined contribution parts, was $3,947,146 (*2017: $5,927,013).*

17. Employee healthcare benefits, net

The Health Authority provides post-retirement health care benefits to staff employed before 1 November 2010 who provide qualifying periods of service, and existing retirees whose medical coverage was dropped by the Portfolio of the Civil Service (POCS).

Starting April 2010, the Health Authority has paid for medical bills of its retirees whose medical coverage was dropped by the POCS. A policy directive has been received from POCS making Health Authority liable for future medical bills of such retirees. Subsequently, the Board made a policy decision that all new employees hired after 1 November 2010 will no longer be extended post-retirement medical benefits.

17. Employee healthcare benefits, net (continued)

Therefore, to be eligible for the post-retirement healthcare program, an employee must meet the following criteria at retirement:

- Must have been hired before November 1, 2010
- Must have completed 10 consecutive years of service with the Health Authority and CIG as principal employers
- Must retire from the Health Authority at the age 65 (statutory retirement age) or after age 50 (early retirement age) or on the advice of the Medical Board
- Employees hired with the CIG and transferred to the Health Authority without a break in service

The benefit entails a continuation of health insurance coverage on the medical plan offered to active employees. The premiums for this health insurance coverage are paid for by Health Authority for all eligible retirees until the end of their lives. This coverage falls within the definition of a defined benefit by the International Accounting Standards and as such represents a future liability of the Health Authority. The Health Authority is required to use the actuarial valuation method to determine the present value of its health insurance benefit obligations for its former employees as well as future retirees and the related current service costs. International Accounting Standards No. 19 (IAS 19) directs that funded or unfunded post-employment benefits be recognized in the statement of financial position (in the case of net defined liability or asset) and the statement of comprehensive income (for the annual expense).

These actuarial valuations use several financial and demographic assumptions to determine the liability and current expense of the benefits which will be honoured on behalf of the retirees. Financial assumptions include, the discount rate, estimated future costs of the medical premiums, and the claims rate for the medical plans. Demographic assumptions include estimated mortality and benefits levels.

The Authority commissioned Mercer Actuaries to provide this service and the results of their assessment are included hereunder. The Health Authority has a present value net defined benefit obligation of $137,416,000 as at 31 December 2018 (*2017: $149,118,000*). The details of the valuation and the assumptions used are reproduced hereunder in accordance with IAS 19.

The Health Authority has not contributed to any fund in order to meet future post-retirement health care obligations. Consequently, the entire $137,416,000 is currently unfunded. Management's plan to address this unfunded post-retirement health liability is discussed in Note 23.

17. Employee healthcare benefits, net (continued)

Disclosure Information:

Financial Year ending on	31 December 2018	31 December 2017
	CI$(000)	*CI$(000)*
A. Change in defined benefit obligation		
1. Defined benefit obligation at end of prior year	149,118	142,878
2. Service cost		
a. Current service cost	8,494	13,052
b. Past service cost	-	-
c. (Gain)/loss on settlements	-	-
3. Interest Expense	5,422	7,671
4. Cash flows		
a. Benefit payments from plan assets	-	-
b. Benefit payment from employer	(81)	(1,720)
5. Other significant events	-	-
6. Remeasurements		
a. Effect of changes in demographic assumptions	(1,394)	(20,300)
b. Effect of changed in financial assumptions	(21,543)	6,572
c. Effect of experience adjustments	(2,600)	965
7. Effect of experience in foreign exchange rates	-	-
8. Defined benefit obligation at end of year	**137,416**	**149,118**
B. Change in fair value of plan assets		
1. Fair value of plan assets at end of prior year	-	-
2. Interest income	-	-
3. Cash flows		
a. Total employer contributions		
(i) Employer contributions	-	-
(ii) Employer direct benefit payments	81.00	1,720
(iii) Employer direct settlement payments	-	-
b. Participant contributions	-	-
c. Benefit payments from plan assets	-	-
d. Benefit payments from employer	(81.00)	(1,720)
e. Settlement payments from plan assets	-	-
f. Settlement payments from employer	-	-
4. Other significant events	-	-
5. Remeasurements	-	-
6. Effect of changed in foreign exchange rates	-	-
7. Fair value of plan assets at end of year	-	-

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17. Employee healthcare benefits, net (continued)

Disclosure Information: (continued)

Financial Year ending on	31 December 2018	31 December 2017
	CI$(000)	*CI$(000)*
C. Amounts recognized in the statement of financial position		
1. Defined benefit obligation	137,416	149,118
2. Fair value of plan assets	-	-
3. Funded Status	**137,416**	149,118
4. Effect of asset ceiling/onerous liability	-	-
5. Net defined benefit liability (asset)	**137,416**	**149,118**
D. Components of defined benefit cost		
1. Service cost		
a. Current service cost	8,494	13,052
b. Reimbursement service cost	-	-
c. Past service cost	-	-
d. (Gain)/loss on settlements	-	-
e. Total service cost	**8,494**	**13,052**
2. Net interest cost		
a. Interest expense on DBO	5,422	7,671
b. Interest (income) on plan assets	-	-
c. Interest (income) on reimbursement rights	-	-
d. Interest expense on effect of (asset ceiling)/onerous liability	-	-
e. Total net interest cost	**5,422**	**7,671**
3. Remeasurements of Other Long Term Benefits	-	-
4. Administrative expenses and/or taxes (not reserved within DB	-	-
5. Defined benefit cost included in P&L	**13,916**	**20,723**
6. Remeasurements (recognized in other comprehensive income)		
a. Effect of changes in demographic assumptions	(1,394)	(20,300)
b. Effect of changes in financial assumptions	(21,543)	6,572
c. Effect of experience adjustments	(2,600)	965
d. Total remeasurements included in OCI	**(25,537)**	**(12,763)**
7. Total Defined benefit cost recognized in P&L and OCI	**(11,621)**	**7,960**

17. Employee healthcare benefits, net (continued)

Disclosure Information: (continued)

Financial Year ending on	31 December 2018	31 December 2017
	CI$(000)	*CI$(000)*
E. Net defined benefit liability (asset) reconciliation		
1. Net defined benefit liability (asset)	149,118	142,878
2. Defined benefit cost included in P&L	13,916	20,723
3. Total remeasurements included in OCI	(25,537)	(12,763)
4. Other significant events	-	-
5. Cash flows		
a. Employer contributions	-	-
b. Employer direct benefit payments	(81)	(1,720)
c. Employer direct settlement payments	-	-
6. Credit to reimbursements	-	-
7. Effect of changes in foreign exchange rates	-	-
8. Net defined benefit liability (asset) as of end of year	**137,416**	**149,118**
F. Defined benefit obligation		
1. Defined benefit obligation by participant status		
a. Actives	122,261	132,226
b. Vested deferreds	-	-
c. Retirees	15,155	16,892
d. Total	**137,416**	**149,118**
G. Significant actuarial assumptions		
Weighted-average assumptions to determine defined benefit obligation		
Effective discount rate for defined benefit obligation	4.55%	3.85%
Health care cost trend rates		
Immediate trend rate	5.00%	5.00%
Ultimate trend rate	5.00%	5.00%
Year rate reaches ultimate trend rate	N/A	N/A
Mortality assumption	RP-2014 projected with MP-2018	RP-2014 projected with MP-2016

17. Employee healthcare benefits, net (continued)

Disclosure Information: (continued)

Financial Year ending on	31 December 2018	31 December 2017
	CI$(000)	*CI$(000)*
G. Significant actuarial assumptions		
Weighted-average assumptions to determine defined benefit cost		
Effective discount rate for defined benefit obligation	3.85%	4.05%
Effective rate for net interest cost	3.65%	3.60%
Effective discount rate for service cost	3.90%	4.20%
Effective rate for interest on service cost	3.85%	4.10%
Health care cost trend rates		
Immediate trend rate	5.00%	5.00%
Ultimate trend rate	5.00%	5.00%
Year rate reaches ultimate trend rate	N/A	N/A
Morality assumption	RP-2014 projected with MP-2016	RP-2014 projected with MP-2016
H. Sensitivity analysis		
Change in the defined benefit of obligation		
Effective discount rates - 25 basis points	7,535	8,787
Effective discount rate + 25 basis points	(7,019)	(8,156)
Health care cost trend rates - 100 basis points	(24,089)	(29,004)
Health care cost trend rates + 100 basis points	35,947	39,163
Morality assumption +10%	(3,704)	(6,531)
I. Expected cash flows for following year		
1. Expected employer contributions	1,405	
2. Expected contributions to reimbursement rights	-	
3. Expected total benefit payments		
Year 1	1,405	
Year 2	1,714	
Year 3	2,072	
Year 4	2,473	
Year 5	2,836	
Next 5 years	20,777	

Participant data:

The defined benefit obligation at 31 December 2018 of the Health Authority as it relates to its participation in the plan were based on the data provided as at 31 December 2018 (454 active participants and 56 retired not employed).

17. Defined benefit liability: Post-retirement health liability (continued)

Actuarial Assumptions:

The assumptions as at the reporting date are used to determine the present value of the defined benefit obligation (DBO) as at that date and the defined benefit cost for the following year. Mercer have used the actuarial assumptions selected by Health Authority. The assumptions, other than the claims cost and the future healthcare coverage assumptions, are consistent with the assumptions used to determine the results for the CIG's post-retirement healthcare program. The principal financial and demographic assumptions used at 31 December 2018 and 31 December 2017 are shown in the table below:

Economic Assumptions	Post-retirement Healthcare	Basis of Development - Accounting Specific Assumptions
Discount rate for benefit obligation (p.a.) - 31 December 2017 - 31 December 2018	 3.85% 4.55%	Per IAS 19 para. 83, determined by reference to market yields on high quality corporate bonds (consistent with the term of the benefit obligations) at the fiscal year end date. Mercer US Above Mean Yield Curve (referencing US corporate bond yields) used to determine discount rates due to strong economic and currency links between the US and Cayman Islands.
Discount rate for the following year's current service cost (p.a.) - 31 December 2017 - 31 December 2018	 3.90% 4.60%	
Rate of Medical Inflation (p.a.)	5.00%	Based on an analysis of historical claims information and long-term medical inflation expectations.

Demographic Assumptions	Post-retirement Healthcare	Basis of Development - Accounting Specific Assumptions
Current mortality rates	RP-2014 Mortality Table scaled back to 2006 using MP-2014	Recent mortality studies in the U.S. and Canada show that people are living longer. New mortality tables have been issued by U.S. and Canada. The mortality table has been updated to better reflect actual mortality improvement rates experienced in the U.S. over the last 20 years.
Mortality improvements - 31 December 2017 - 31 December 2018	 Scale MP-2016 Scale MP-2018	Broad consensus amongst longevity experts that mortality improvement will continue in the future. Scale MP-2014 was released October 2014. In the U.S., the latest future mortality improvement improvement scale issued by the Society of Actuaries is Scale MP-2018. The prior valuation used scae MP-2016.

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17. Defined benefit liability: Post-retirement health liability (continued)

Actuarial Assumptions: (continued)

Demographic Assumptions	Post-retirement Healthcare	Basis of Development - Accounting Specific Assumptions
Turnover rates	Rate Age / Male / Female 20-24: 7.5% / 12.5% 25-29: 5.0% / 12.5% 30-34: 3.5% / 7.5% 35-39: 2.5% / 4.5% 40-44: 1.5% / 2.5% 45-49: 0.5% / 0.5% 50+: 0.0% / 0.0%	
Disability rates	None	
Retirement Age	Age 57 & 10 years of service Age / Rate <55: 0.0% 55-59: 8.0% 60: 60.0% 61-64: 8.0% 65: 100.0%	
Marital assumption	80% married, wife 3 years younger	

Demographic Assumptions	Post-retirement Healthcare	Basis of Development - Accounting Specific Assumptions
Current healthcare claims cost assumption at age 65 (at 31 May 2017)	Health - $6,300 per participant per year Dental - $660 per participant per year Administrative expenses - $100.77 per retiree per month	Based on 2017 premium rates (converted to KYD)
Healthcare coverage-future pensioners	Male - 50% single, 50% family Female - 60% single, 40% family	Based on Health Services Authority experience.
Healthcare utilization changes due to age	Mercer standard healthcare aging assumptions for medical and dental	Based on analysis of healthcare utilization for Mercer clients in Canada and US and by reference to Society of Actuaries studies.

18. Provision

The Health Authority is a defendant to several claims that have been brought against it by patients and employees resulting from its medical and business operations. Estimated liability for the lawsuits as of 31 December 2018 is nil (*2017: nil*). As of 31 December 2018, nil (*2017: nil*) was paid out as settlement for medical malpractice claims and employee claim, respectively.

19. Contingencies and commitments

(a) Contingent legal claims

The Health Authority believes that the outflow of funds for the malpractice and employee related legal claims amounting to $860,000 and nil (2017: $6,360,000 and nil), respectively are less than probable to be successful and are covered by insurance in excess of deductible; accordingly, no provisions were recognized for possible losses.

There are a number of claims outstanding that relate to services provided prior to the establishment of the Health Authority or prior to 1 July 2002. Neither provision nor contingent liability has been made for these claims in the financial statements, as the Health Authority believes any costs encountered [that are not covered by insurance] will be met by the Ministry of Health , Environment, Culture & Housing (the "Ministry").

(b) Capital and operating commitments

Type	One year or less	One to five years	Over five years	Total
Capital Commitments				
Land and buildings	-	-	-	-
Other fixed assets	243,260	-	-	243,260
Total Capital Commitments	**CI$ 243,260**	**CI$ -**	**CI$ -**	**CI$ 243,260**
Operating Commitments				
Non-cancellable contracts for the	3,618,525	1,126,201	17	4,744,743
supply of goods and services	-	-	-	-
Total Operating Commitments	**CI$ 3,618,525**	**CI$ 1,126,201**	**CI$ 17**	**CI$ 4,744,743**
Total Commitments	**CI$ 3,861,785**	**CI$ 1,126,201**	**CI$ 17**	**CI$ 4,988,003**

The outstanding capital commitments are for the purchase of medical equipment such as echocardiographic machine, portable x-ray machine et al in the amount of $243,260 (2017: $263,032).

Notes to the Financial Statements

For the year ended 31 December 2018
(expressed in Cayman Islands dollars)

19. Contingencies and commitments (continued)

(b) Capital and operating commitments (continued)

In addition, the Health Authority has entered into various operating commitments with terms less than one year to over five years term amounting to $4,988,003 (2017: $5,459,942). A substantial part of this amount pertains to the contract with Cerner Corporation for the off-site storage and management of clinical and financial electronic data which was renewed after it expired in 31 December 2017 for another three-year contract totaling US$3.2 million. This new contract will expire on 31 December 2020.

20. Related party transactions

The Health Authority is directly controlled by the Government and has transactions with entities directly or indirectly controlled by the Government through its government authorities, agencies, affiliations and other organizations (collectively referred to as "government-related entities"). The Health Authority has transactions with other government-related entities including the sale and purchase of goods and ancillary materials, rendering and receiving services, lease of assets, depositing money, and use of public utilities.

These transactions are conducted in the ordinary course of Health Authority's business on terms comparable with other entities that are not government-related. The Health Authority has established procurement policies, pricing strategy and approval process for purchases and sales of goods and services, which are independent of whether the counterparties are government-related entities or non-government-related entities.

For the year ended 31 December 2018, management estimates that the aggregate amount of Health Authority's transactions with government-related entities are at least 72% (*2017:69%)* of its revenue and between 5-10% (*2017:5-10%)* of its operating expenditures. Significant transactions with the government-related entities are discussed as follows:

- The Health Authority provides health care for a large portion of the employees of the Government and their dependants including other ancillary services to other government related-entities and reported this as revenue in the amount of $49,222,950 (*2017: $68,010,883*). The Health Authority is reimbursed by Cayman Islands National Insurance Company (CINICO) for the services provided to the employees of the Government and their dependants.
- The Health Authority received no equity injection in 2018 (*2017: $2,542,264)* from the Cayman Islands Government. Prior equity injections received do not impose a future obligation on Health Authority and are composed as follows:

20. Related party transactions (continued)

		2018		*2017*
Injection for Capital expenditures		-		1,380,418
Injection for Payment of Loans		-		1,161,846
	CI$	-	**CI$**	**2,542,264**

- Pursuant to the general and supplemental appropriation for the year ended 31 December 2018, the Health Authority billed the Government $38,884,618 (*2017: $51,519,946*) during the year for the outputs that have been purchased by the Government to provide medical care for indigent persons and under/un-insured children (included in patient services fees) and other government programmes totalling $14,392,718 (*2017: $19,884,435*) and the maintenance of Faith Hospital in the amount of $3,783,158 (*2017: $5,167,737).* The amount outstanding as cabinet receivable relating to other government programmes as of 31 December 2018 amounts to $2,178,025 (*2017: $3,913,181*) and this is presented as other receivables.
- Below is the cost incurred by Health Authority for the other government programmes delivered to the Government and the budget amount:

	Billed	Budget
Faith Hospital	3,783,158	3,783,158
Ambulance	2,547,293	2,547,293
District Clinics	2,242,947	2,242,947
Mental Health	2,729,633	2,731,205
Public Health	1,330,576	1,330,576
Special Needs	781,660	781,660
School Health	688,784	688,784
Medical Internship	150,000	150,000
Child Abuse Program	100,000	100,000
Cancer Registrar	38,667	38,667
	CI$ 14,392,718	**CI$ 14,394,290**

The remuneration of directors and other members of key management mainly included as staff costs including pension during the year was as follows:

	2018 (12 Months)	2017 (12 Months)
Short-term Benefits		
Senior Management	1,750,422	2,659,929
Board of directors	23,650	23,700
	CI$ 1,774,072	**CI$ 2,683,629**

20. Related party transactions (continued)

For the 12-month period ended 31 December 2018 the Health Authority incurred medical costs for its key management and their dependants in the amount of $51,368 (*2017: $154,483*) including the cost provided in its own facility.

The Board of the Health Authority approved a rationalization project to address anomalies within the existing salary structure where experience points relating to current staff were frozen at their 2008 levels. The project was approved for back payment to be made retroactive to 1 January 2018. Eligible key management personnel were paid $92,683 as a result of this project.

Subsequent to the year end the Chief Executive Officer received an additional back payment retroactive to 2009 of $72,060 (inclusive of pension contributions of $4,324).

The Health Authority also had transactions with members of key management or with their family such as official travel reimbursements et al with an annual disbursement of $20,823 *(2017*: *$27,246)* and remuneration of other related party amounting to $227,296 *(2017: $420,535).*

21. Financial instruments and associated risks

The carrying amounts of Health Authority's financial instruments, including cash and cash equivalents, short-term investments, other receivables, accounts receivable, accounts payable and accrued expenses, approximate fair value due to the immediate or short-term nature of these financial instruments.

IFRS 9 became effective for reporting periods beginning on or after January 1st, 2018. The Health Authority assessed the potential impact of IFRS 9 on the operations of the Health Authority and determined them to be minimal.

The Authority applied the Expected Credit Losses model, on the basis that (a) future cash flows from qualifying financial instruments (i.e. accounts receivable) are solely payments of principal and interest; and (b) receivables are held with the objective to collect future contractual cash flows and not for sale. The impact to accounts receivables is further outlined below.

Accounts receivable are held at amortized cost. The Health Authority applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all accounts receivable. To measure expected credit losses, accounts receivable have been grouped based on shared risk characteristics and the days past due.

The expected loss rates are based on the payment profile for revenue over a period of 5 years prior to 31 December 2018, and the corresponding historical credit losses experienced within this period. The historical loss rates are then adjusted to reflect current and forward-looking information including the use of third-party debt collectors as a strategy to improve the Authority's recovery of past due amounts.

The Health Authority has determined the number of days outstanding to be the most relevant factor in determining the potential collectability of past due receivables.

21. Financial instruments and associated risks (continued)

On that basis, the loss allowance as at 31 December 2018 was determined to be $18,393,086 for accounts receivable. This was calculated as follows:

31-Dec-18	Current	More than 180 days	More than 365 days
Expected loss rate	11%	50%	78%
Gross carrying amount- Accounts receivables	$ 9,545,710	$ 16,913,979	$ 11,394,061
Loss allowance	1,015,976	8,447,798	8,929,312

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates. The Health Authority's activities expose it to various types of risk. The most important type of financial risks to which the Health Authority is exposed are as follows:

21.1 Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. To reduce exposure to credit risk, the Health Authority performs ongoing credit evaluations of the financial condition of its customers but generally does not require collateral. Parties who defaults on their obligations despite repetitive collection efforts are referred to a collection agency or to legal counsel. The Health Authority is exposed to credit-related losses in the event of non-performance by counter parties to these financial instruments.

Accounts receivable consist of a large number of customers who would either have health insurance coverage with CINICO or with various commercial insurance, or no insurance coverage at all. Concentration of credit risk belongs to the group of customers known as "self-pay". These amounts are owed by customers who have neither insurance coverage nor sufficient coverage. These are estimated to be 50% - 100% (*31 December 2017: 65%-100%)* uncollectible.

Accounts receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include: Age, balance outstanding, inability to contact debtor, means of debtor to make repayment, existence of a repayment plan or promissory note.

Impairment losses on accounts receivable are presented as provision for doubtful debts within the statement of comprehensive income. Subsequent recoveries of amounts previously written off are credited against the same line item.

21. Financial instruments and associated risks (continued)

21.1 Credit risk (continued)

The carrying amount of financial assets recorded in the financial statements as accounts receivable from "self-pay" group of customers, which is net of allowance for doubtful debts, represents the maximum exposure to credit risk:

	Less than 1 month	1-3 months	3 months to 1 year	1 year over	Total
	CI$	CI$	CI$	CI$	CI$
2018					
Gross accounts receivable	593	917	5,369	8,928	15,807
Allowance for bad debts	297	571	4,605	8,928	14,401
	296	**346**	**764**	**-**	**1,406**
2017					
Gross accounts receivable	481	1,143	5,640	50,471	57,735
Allowance for bad debts	312	939	5,114	50,471	56,836
	169	**204**	**526**	**-**	**899**

21.2 Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Health Authority's funding and liquidity management requirements. The Health Authority manages liquidity risk by maintaining the $4 million credit facility, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables indicate the contractual timing of cash flows arising from assets and liabilities included in the financial statements as of 31 December 2018 and 31 December 2017.

21. Financial instruments and associated risks (continued)

21.2 Liquidity risk (continued)

Type	Carrying amount	No stated maturity	Contractual cash flows (undiscounted)				
			0-1 yr	1-2 yrs	2-3 yrs	3-4 yrs	>5 yrs
31 December 2018							
Financial assets							
Cash and cash equivalents	22,616,848		22,616,848	-	-	-	-
Short-term investments	20,000,000		20,000,000				
Accounts receivable, net	19,460,664		19,460,664				
Other receivables	2,603,434		2,603,434				
	CI$ 64,680,946	-	**CI$ 64,680,946**	-	-	-	-
Financial liabilities							
Accounts payable and accrued expenses	6,517,199		6,517,199				
Unfunded pension obligation	6,745,000		6,745,000				
	CI$ 13,262,199	-	**CI$ 13,262,199**	-	-	-	-
Difference in contractual flows	**CI$ 51,418,747**	-	**CI$ 51,418,747**	-	-	-	-

Type	Carrying amount	No stated maturity	Contractual cash flows (undiscounted)				
			0-1 yr	1-2 yrs	2-3 yrs	3-4 yrs	>5 yrs
31 December 2017							
Financial assets							
Cash and cash equivalents	31,892,703		31,892,703	-	-	-	-
Accounts receivable, net	12,246,401		12,246,401				
Other receivables	2,393,771		2,393,771				
	CI$ 46,532,875	-	**CI$ 46,532,875**	-	-	-	-
Financial liabilities							
Accounts payable and accrued expenses	3,799,480		3,799,480				
Unfunded pension obligation	7,432,000		7,432,000				
	CI$ 11,231,480	-	**CI$ 11,231,480**	-	-	-	-
Difference in contractual flows	**CI$ 35,301,395**	-	**CI$ 35,301,395**	-	-	-	-

21.3 Interest risk

Interest rate risk – The Health Authority is exposed to interest rate risk for the $4 million credit facility with First Caribbean International Bank (Cayman) Ltd ("FCIB") at a rate of prime plus 0.25% per annum. This interest rate will fluctuate from time to time in line with the general level of interest rates. The risk is managed by the Health Authority by maintaining a short-term credit agreement that is renewable every year to have a negotiable and preferred rate. In addition, the Health Authority is limiting the usage of the credit facility by continuously monitoring the daily cash position which management views as likely to result into a bank preferred interest rate on the renewal of the agreement. The Health Authority has a minimal exposure on interest risk as none of the other financial instruments is exposed to this type of risk.

22. Going Concern Considerations

After the recognition of the post-retirement health care liability, Health Authority's financial position changed to a net deficit as at 31 December 2018 in the amount of $7,337,542 (*2017: $34,748,014*) with a net income for the year of $491,472 (*2017 net loss: $8,900,974*) as presented in the statement of comprehensive income.

This event has raised a substantial doubt about the Health Authority's ability to continue as going concern as it relates to its ability to meet the post-retirement health care obligation to its eligible employees and retirees as it falls due. Management has considered this risk and have begun taking measures to mitigate any threats to the going concern of the Authority.

At present, Health Authority is able to fund the medical cost of its retirees as it falls due, the total medical cost paid as of 31 December 2018 amounts to $81,000 (*2017: $1,720,000*). In addition, stop loss insurance coverage is also in place to cover the acute cases of retirees thereby limiting the credit risk exposure of Health Authority. The overdraft facility amounts to $4 million as additional buffer for any cash short fall in the future and this remain unused at present. As Health Authority is a health care facility, Management believes that the Authority is capable of providing a proper health care to its retirees within its facility.

Health Authority is also actively consulting professionals specializing in risk and insurance services, on how to structure the funding of the post-retirement health liability. Health Authority is seeking fund investment advice on financial instruments to hedge the liability for the post-retirement healthcare cost with a perspective to include other statutory authorities in this plan.

Management continues to adopt the going concern basis of accounting in preparing the financial statements.

23. Subsequent events

In accordance with a resolution by the Health Authority's Board of Directors during the Board Meeting in January 16, 2019 the following important decisions were made:

- Alignment of the Authority's Charge Master with the Standard Health Insurance Fees (SHIF). The Health Insurance Commission (HIC) published an updated SHIF Schedule with revised CPT4 codes and prices, effective March 1, 2018. Accordingly, Health Authority requires the approval of 93 charge fees for gazettal, effective 1 February 2019. In addition, 61 new tele-health procedures, which SHIF has approved, have been adopted in Health Authority's Charge Master as a specialty service.
- With the completion of the required due diligence and there being no material adverse findings, the Management has been directed to continue with the purchase of the second floor and two units on the first floor of Smith Road Centre. The Health Authority completed this purchase on 1st April 2019.

In February 18, 2019, Health Authority sought Cabinet's consideration on proposal to spend approximately $6.3 million on capital projects for 2019 or an additional $2.8 million from the previously approved capital budget of $3.5 million with no equity injection requirement from the Government.

7 Appendices


ANDS HEALTH SERVICES AUTHORITY
MISSION STATEMENT
lth Services Authority is to provide the highest quality healthcare
the Cayman Islands through accessible, sustainable patient-focused services by
wered and caring staff in collaboration with our partners
Survivor Wall
get well
Don't worry about the PAST worry about the FUTURE
SURVIVOR

Governance and Risk Management

The 2018 Annual Budget Statement identifies the key risks faced by the HSA and the strategies we use to manage those risks. For the fiscal year under review, the following risks, and actions taken to manage and mitigate those risks were:

Key Risks	Actions to Manage Risk
Strategic	
Potential for vicarious liability exposure for claims against underinsured privileged physicians	Setting of reasonable limits of insurance cover for physicians who are granted privilege to practice at the HSA
Potential loss of revenue (loss of market share)from increased competition from private healthcare providers in the community	1. Identify opportunities and implement measures to improve quality of services and patient experience 2. Focus on measures that will reduce waiting list and waiting time
Difficulty/inability to provide current level of services due to lack of office and clinical space	1. Rental of space for administrative staff 2. Development of a new Master Facility Plan 3. Phasing and Funding of the plan 4. Prioritisation and completion of preventive maintenance, construction and refurbishment projects
Financial	
Potential overpayment of final monies upon exit	Clear guidelines for checks and balances
Inability to charge appropriately for services due to inconsistency of charge master pricing	Comprehensive review of charge master to ensure alignment with standard health insurance fees
Operational	
Potential loss of key staff in single incumbent positions due to retirement, resignation, lack of trained personnel on island and difficulty in recruiting and retaining professionals	1. Development and ongoing review of recruitment and retention strategies 2. Development of succession plan 3. Funding of succession plan
Potential Security breach of IT system	1. Intrusion detection assessment 2. Audit of active directory
Security of Staff and Facilities	1. Installation of additional CCTV cameras 2. Access control and maintenance of alarms on exits
Potential for business interruption due to natural, internal or external disaster	Continuous review and testing of emergency plans identified downtime procedures
Potential for difficulty in evacuating patients on beds or due to congestion in the main exit corridor adjacent to CSR with storage trolleys causing reduced corridor width.	Alternative arrangements for storage of trolleys is being explored
Potential for the inappropriate use of company vehicles	1. Policy for the use and maintenance of vehicles 2. Use of log book to sign out and return vehicles

Legal Framework

The specific Laws which guide the work of the Health Services Authority are as follows:

Health Services Authority Law	National Pensions Law
Health Services Fees Law	Children Law
Health Insurance Law	Tobacco Legislation
Health Practice Law	Code of Ethics and Standards of Practice – Cayman Islands Medical & Dental Council
Mental Health Law	Code of Ethics and Standards of Practice – Cayman Islands Pharmacy Council
Pharmacy Law	Code of Ethics and Standards of Practice – Council for Professions Allied with Medicine
Prescription Law	Misuse of Drugs Law: Sections 2, 3 and 4
Public Health Law	National Drug Council Law
Freedom of Information Law	Animals Law: all sections on Part III and VII
Freedom of Information (General) Regulations	Cinematograph Law: sections 7-16
Public Management and Finance Law	Labour Law (2011 Revision): all sections in part VIII
The Procurement Law	The Tobacco Law: all sections
The Public Authority Law	The Mental Health Law and Regulations 2013: all sections
Labour Law	Children Law: Part IIIA, V, X,
Complaints Commissioner Law	Water authority Law: part V and VII
Freedom of Information Law	Health Insurance Law and Regulations 2005: all sections

Internal and External Audit Updates

The HSA received a qualified opinion on its 2016-17 financial statements. The qualifications received were in three (3) main areas:

1. **Patient service fees** – challenges in demonstrating effective controls to assure completeness in regard to reported patient services fees;

2. **Accounts receivable** – this qualification point is directly related to revenue completeness and consequential questions regarding the adequacy of the provision for bad debts; and

3. **Accumulated deficit** – relating to doubts associated with patient related accounts receivable.

Number of FOI Requests Received

Eleven Freedom of Information requests were received and processed between January and December 2018. Seven (64%) of the requests were granted in full, two were exempt under the Freedom of Information Law, one request was withdrawn by the applicant, and one request was partially granted.

Requests for information covered a variety of subjects including Board operations, records relating to Human Resources, Audit reports, procurement and medical records.

8 Contact Information

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Fax: (345) 244-7516

District Clinics
Tel: (345) 244-2724

Eye Clinic
Tel: (345) 244-2818
Fax: (345) 946-2388

Facilities Management
Tel: (345) 244-2529
Fax: (345) 945-6054

Faith Hospital
Tel: (345) 948-2243

Freedom of Information
Tel: (345) 244-2857

General Practice
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Human Resources
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Finance
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Information Systems
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Medical Records
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