



HEALTH SERVICES AUTHORITY
CAYMAN ISLANDS
Caring People. Quality Service.

ANNUAL REPORT 2021

Staying Resilient
& Forging Ahead



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Cover photo: Shanique Ayers, Registered Nurse and past participant of HSA's Transition to Practice Programme (TPP)
Annual report prepared by HSA Marketing and Communications Department.

ABOUT THE REPORT

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, 2021, to December 31st, 2021 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
- ▶ 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 2021 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.



2021 FINANCIAL OVERVIEW

Financial Performance Measures	2021 Actual	2021 Target
Revenue from Cabinet	45,364,755	30,683,000
Revenue from Ministries, portfolios, statutory authorities, government companies	45,364,755	46,673,000
Revenue from others	78,344,247	53,716,000
Total Revenue	169,073,757	131,072,000
Expenses	161,011,245	143,874,000
Surplus / (Loss)	8,062,512	(12,802,000)
Net Worth	2021 Actual	2021 Target
Net Worth / (Deficit)	(8,127,359)	(36,291,000)
Cash Performance	2021 Actual	2021 Target
Cash Flows from Operating activities	(23,800,132)	842,000
Cash Flows from Investing activities	(15,348,269)	(10,500,000)
Cash Flows from Financing activities	399,531	-
Change in cash balances	(38,748,870)	(9,658,000)
Financial Performance Ratios	2021 Actual	2021 Target
Current Assets: Current Liabilities	5.73:1	12.31:1
Total Assets: Total Liabilities	0.96:1	0.81:1
Human Capital Measures	2021 Actual	2021 Target
Total Full-Time Staff Employed	991	1,063



MESSAGE FROM THE BOARD CHAIRMAN

Osbourne Bodden, JP

The coronavirus (COVID-19) pandemic continued to create unprecedented challenges in 2021; however, it also reinforced the resilience, innovation, and the essential role of the Health Services Authority to the national, economic, and public health infrastructures of the Cayman Islands.

The reopening of the economy including the phased return of international travel to these islands in 2021 and to our way of life, the “new normal” in just twenty-two months since the declaration of a global pandemic, are in many ways attributable to the success of the HSA’s rapid implementation of the national vaccination campaign. The campaign achieved an enviable record of having 80% of the local population fully vaccinated, placing the Cayman Islands among a few select countries in the world with one of the highest vaccination rates per capita, and lowest mortality rate.

The HSA’s role as the country’s national healthcare provider also came into focus with the leadership and coordination of the national clinical and operational plan for an all-health sector approach to the ensure effective clinical management, care, and coordination of patients.

During the year the perseverance, resourcefulness and commitment of our staff at all levels came into sharper focus with the improvisation and conversion of facilities to provide safe care to COVID positive patients, the commissioning of the field hospital and the roll-out of the COVID vaccine for children twelve and over.

The HSA’s role as the country’s national healthcare provider also came into focus with the leadership and coordination of the national clinical and operational plan for an all-health sector approach to the ensure effective clinical management, care, and coordination of patients.

In a year filled with uncertainty for all of us, the HSA once again proved it is the bedrock of our community whether in a time of national crisis or in the daily care, healing and comfort of the people of these islands. Upon reflection, we have seen enough to know the HSA has the best team in healthcare and on behalf of the Board of Directors I wish to extend our thanks to the staff and management for their continued sacrifice and dedication.

Looking ahead, we see a future that offers new opportunities in furthering our mission to provide the highest quality healthcare and improve the well-being of people in the Cayman Islands. We will continue to make significant investments in new infrastructure and capabilities that will position the organisation to improve access to care and the health of our people. The quality of health care will be transparent and benchmarked against international standards with Joint Commission accreditation; and the implementation of technology that will make it easier for people to navigate the system creating a better patient experience. We know that healthcare is personal and we are determined to ensure a more accessible, affordable and effective health care system that works for everyone.

To our government and our community, thank you for the policies, actions, cooperation, and support that allowed our healthcare system to thrive amidst the challenges. We look forward to the future with optimism to embrace the many new opportunities to further solidify our position as the premier healthcare system of the Cayman Islands.

Osbourne Bodden
Board Chairman

We know that healthcare is personal and we are determined to ensure a more accessible, affordable and effective health care system that works for everyone.



MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Lizzette Yearwood, MMH, JP

For decades the HSA has been at the forefront of healthcare delivery and has proudly continued this tradition, even amidst the challenges of a global pandemic. During the past year, the entire world continued to confront a public health crisis like no other, but thanks to our heroic caregivers and the members of the communities we serve, HSA remains resilient and unyielding to the obstacles laid before us.

The service statistics and outcomes and achievements highlighted in this report are undeniable proof that despite the great uncertainty of this period, we continue to live our mission, committing to excellence and the delivery of high-quality health care.

I am extremely proud and grateful for the caring and compassionate staff who have shown tremendous dedication to the health, safety and service of the people of these islands, particularly when we had to confront a surge of COVID-19 infections and increasing deaths in the latter part of the year.

During the past year, the entire world continued to confront a public health crisis like no other, but thanks to our heroic caregivers and the members of the communities we serve, HSA remains resilient and unyielding to the obstacles laid before us.

Our contribution was paramount to the national COVID efforts, from the roll out of the national vaccination programme which resulted in the administration of more than 132,000 vaccines to mass COVID testing with over 86,000 PCR tests administered. As our country gradually reopened and people longed to safely visit their loved ones and return to a semblance of life before COVID, we met their needs by utilizing the technology to ensure rapid implementation of a digital COVID vaccine certificate that would be used to validate their vaccination status when travelling.

Even though they and their families also had to endure the heavy physical and mental burden of COVID, our staff persevered, surpassing expectations under duress. It is through their support and the remarkable leadership vision, strategic planning, and foresight of our Board and Senior Leadership team that we were able to thrive and accomplish our objectives for 2021 including exceeding our financial targets.

Even though it was a challenging year, our team was able to remain focused on the growth and advancement of HSA and its services for the benefit of the Cayman public. We continued to execute the 30-year Master Facility Plan that is aimed at steering the future development of the HSA while optimizing the use of our facilities. For us to deliver service, clinical quality and patient experience superior to what we currently have, improvements to the physical environment were pivotal and considering this we completed the first phase of our outpatient services expansion to Smith Road Centre. To meet the growing demands of the population we also introduced new clinical services including complimentary alternative medicine (CAM), chiropractic and neurosurgery and developed or improved others such as the purpose-built Physiotherapy Unit in Cayman Brac and the radiology services in Grand Cayman which upgraded to a 124 slice CT machine.

We exceeded our financial targets and ended the year with record revenue performance in the history of the HSA, despite the financial challenges resulting from pandemic response.

After seeing what we have accomplished during this highly volatile year, it's impossible to be anything but confident and optimistic about our future. Our resilience, adaptability and commitment to quality service will allow us to continue delivering world class health care for many more years to come.

Lizzette Yearwood
Chief Executive Officer

We thrived and accomplished our objectives for 2021 including exceeding our financial targets and making HSA history with our revenue performance.

OVERVIEW



About Us

The Cayman Islands Health Services Authority (HSA), the country's principal healthcare facility, offers the most comprehensive range of inpatient, outpatient and public health services at nine locations on all three islands. We offer primary and secondary levels of healthcare services, and public health functions for approximately 71,000 residents of the Cayman Islands and visitors, in accordance with the National Strategic Plan for Health, as agreed with the Ministry of Health and Wellness.

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

The now 127-bed hospital in George Town Grand Cayman and 18-bed hospital in Cayman Brac are the hub of our organisation. Ancillary services are also available at our district health centers located in West Bay, Bodden Town, North Side, East End and Little Cayman. Outpatient services extend to Smith Road Centre & Bay Town House locations. HSA offers the people of the Cayman Islands the highest quality of patient care, comfort and safety, delivered by our professional team of doctors, nurses and support staff.



Our 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 behaviours are at the core of our organisation'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 behaviours and encourage our fellow employees to practice them diligently.

Respect

Responsibility

Integrity

Caring

Excellence

The Health Services Authority through the Public Health Department is responsible for public health programmes by way of a purchase agreement with the Ministry of Health & Wellness. The Public Health Team, under the direction of the Medical Officer, includes public health nurses, surveillance officers, health promotion officer, genetics counsellor, nutritionist and administrative staff.



Services available at the HSA include:

- 24-hour Accident & Emergency
- Acute Care
- Anesthesiology
- Blood Bank
- Cardiology
- Chemotherapy
- Chiropractic
- Clinical Dietary & Nutrition
- Complementary & Alternative Medicine (CAM)
- Critical Care
- Dentistry
- Dermatology
- Dialysis
- Diving & Hyperbaric Medicine
- Ear, Nose & Throat (ENT)
- Emergency Medical Services
- Forensic Science Laboratory
- General Practice & Family Medicine
- General Surgery
- Immunizations
- Internal Medicine
- Interventional Radiology
- Laboratory
- Maternity
- Mental Health
- Neonatal Intensive Care (NICU)
- Nephrology
- Neurosurgery
- Obstetrics/Gynecology
- Oncology & Haematology
- Ophthalmology
- Oral Surgery
- Orthopedics
- Paediatrics
- Pain Management
- Pathology
- Pharmacy
- Physiotherapy, Occupational Therapy & Speech Therapy
- Primary & Critical Health Care
- Public Health
- Radiology
- Respiratory Therapy
- Rheumatology
- Sleep Medicine
- Sports Medicine & Traumatology
- Urology
- Vascular Surgery
- Women's Health

BOARD SUB-COMMITTEES

The Health Services Authority is governed by a seven-member Board which establishes strategic policy direction for the organisation through various sub-committees

Human Resources Sub-Committee

provides strategic direction in support of the organisation'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.

Infrastructure & Development Sub-Committee

oversees the planning, development, and maintenance of the physical infrastructure to support the care delivery and the health and safety of patients, visitors and staff.

Information Systems Sub-Committee

establishes and monitors policies for the management of information systems to ensure that the business objectives of the HSA are being met.

Safety & Risk Management Sub-Committee

monitors actual and potential organisational 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.

Organisational Structure



BOARD OF DIRECTORS



OSBOURNE BODDEN, JP BOARD CHAIRMAN

Osbourne Bodden spent 7 years in auditing for two of the Big Four accounting firms – Ernst & Young and Price Waterhouse, before taking up employment within the Civil Service working 5 years as an Insurance Analyst for the government's Insurance Department. Mr. Bodden returned to the private sector working in the Health Care Captives, then leaving to start a family business. He has spent the last 21 years as a successful businessman and served two terms as a Member of Parliament for Bodden Town, first as a backbench member from 2005 to 2009, and later as Minister of Health, Sports, Youth and Culture from 2013-2015 and Minister for Community Affairs, Youth and Sports from 2015 to 2017.



JOY VERNON DEPUTY BOARD CHAIRPERSON

Joy Vernon worked at the HSA from 1992 - 2013 and was the first Caymanian female Paramedic. After working in various positions at the HSA: Nursing Assistant, Emergency Medical Technician and an Emergency Medical Services Educator, Ms. Vernon pursued a law degree and was admitted to the Cayman Islands Bar in January 2021. She now enjoys her new career as an Attorney-at-Law.

GOLDA TATUM CARTER, NP DIRECTOR



Golda is the Regional Financial Controller for a local fiduciary business with regional responsibilities. She is a licensed Certified Public Accountant with 10+ years' post qualification experience and 8+ years working for a big four audit firm performing financial and regulatory audits. Her experience includes, budget analysis, and financial accounting and she has proficient knowledge of IFRS and US GAAP and their related GAAS.

DR. LUANA LOOK LOY DIRECTOR



Dr Luana Look Loy is currently in private general practice alongside her father, Dr Victor Look Loy. She is passionate about health promotion, disease prevention, public education; has been involved with the Cayman Islands Diabetes Association (founded by her father, in 1987) and is currently a Director of ALS Cayman.

TRISHA McELROY DIRECTOR



Trisha McElroy is a Senior HR practitioner in the Cayman Islands and is the Director of Human Resources for a leading offshore law firm on island. She has over 15 years of experience in operational and strategic HR practices and is a subject matter expert in employee relations, HR strategy and HR transformation. She has a track record in managing change, innovation, policy and procedure development and employee engagement with proven success in merger and acquisition integrations.



TAYVIS WALTERS

DIRECTOR

Tayvis Walters is a certified IT Specialist with more than 10 years of experience in the IT industry and is presently employed with a global leading offshore law firm on island. He presently serves as a Committee Chairman and Caribbean Community (CARICOM) Youth Ambassador within the Ministry of Youth, Sports, Culture and Heritage and is a member of the National Youth Commission's Advocacy and Youth Empowerment Committee, Save our Youth Foundation, and numerous community-driven initiatives and groups.



ROSIE WHITTAKER-MYLES

DIRECTOR

Rosie Whittaker-Myles is an attorney-at-law in private practice & a former partner in a medium-sized law firm on its litigation team. She has over 25 years' experience in civil & commercial litigation with expertise in personal injury, employment, immigration, compulsory acquisition of land, trusts, wills, probate and family law matters. She is the past Chair for the Commission for Public Standards and a Legal Befriender, providing pro bono legal advice on all areas of Cayman Islands law.



KAREN RIVERS

REPRESENTATIVE FOR THE FINANCIAL SECRETARY, CAYMAN ISLANDS GOVERNMENT (NON-VOTING MEMBER)

Karen Rivers, a Budget and Planning Manager in the Treasury Department, started her career with the Cayman Islands Government in November 1998 as a Budget and Administration Officer. She was promoted five years later to an Analyst. Some of the responsibilities of her job include managing the preparation of the multi-year budget, which includes overseeing the quality assurance process; review and analysis of budgeting and financial planning submissions; managing the preparation of any supplementary budgets during the fiscal year; and monitoring compliance between actual performance and approved budgets.



NELLIE POUCHIE
CHIEF OFFICER MINISTRY OF HEALTH
& WELLNESS
(NON-VOTING MEMBER)

Nellie Pouchie is the Chief Officer at the Ministry of Health & Wellness with responsibility for the overall performance and management of the Ministry in achieving the outcomes established by the Cabinet. Previous to this, she was the Chief Financial Officer for the Ministry and has been with the Ministry since 2011.



LIZZETTE YEARWOOD, MMH, JP
CHIEF EXECUTIVE OFFICER
(NON-VOTING MEMBER)

Lizzette Yearwood is the Chief Executive Officer of the Cayman Islands Health Services Authority. Lizzette has been with the HSA since 1993 and has a wealth of experience in local and overseas healthcare settings. She holds certification from the American Society of Healthcare Risk Management, and has a master's degree in healthcare administration.



DR. DELROY JEFFERSON, MCI
MEDICAL DIRECTOR
(NON-VOTING MEMBER)

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. Dr. Jefferson also has extensive experience in public sector management and policy, and has served on several national and regional boards and committees.



2021 HIGHLIGHTS



LABORATORY
TESTS COMPLETED*
1,016,225

* includes COVID-19 testing



PRESCRIPTIONS
FILLED
513,441



PATIENTS
TREATED*
60,539

* unique patients



ADMISSIONS
5,083



RADIOLOGY
PROCEDURES
38,086



DENTAL
CLINIC VISITS
24,708



OUTPATIENT
VISITS
362,000



ACCIDENT &
EMERGENCY VISITS
32,778



SURGERIES
3,658



GENERAL PRACTICE
VISITS
59,656



BABIES
DELIVERED
744



HOME VISITS
3,638

YEAR IN REVIEW

JANUARY

Deputy Chief Executive Officer Ronnie Dunn appointed

Dr. Delroy Jefferson and Dr. Gerald Smith both awarded Member of the Order of the Cayman Islands (MCI) on National Heroes Day 2021

Launch of the COVID-19 Vaccination Programme

Healthcare staff and government officials receive second dose of COVID-19 vaccine



FEBRUARY

HSA hosts community event to celebrate World Cancer Day

HSA staff donates to Meals on Wheels through HR's new programme "HSA Cares"

HSA's Ophthalmologist performs sight-saving surgery on 63 y.o. Caymanian woman

Vaccination Clinic open at Owen Roberts International Airport

MARCH

Little Cayman receives first purpose-built ambulance

COVID-19 Emergency Field Hospital at Family Life Centre demobilized

HSA's nursing residency, the Transition to Practice Programme, completes training of Cohort #3



APRIL

HSA, Public Health and Ministry of Health partner to host "vac-CI-NATION", a vaccination drive for persons aged 16-24

Faith Hospital opens new annex to enhance physiotherapy services and increase storage

HSA expands specialist services with launch of new clinic at Smith Road Centre

HSA welcomes first full-time chiropractor

Radiology receives new advanced CT scanner



MAY

HSA launches environmentally sustainable "green" initiatives to save an estimated \$300,000 per year

HSA urologist offers pioneering kidney cancer treatment

Health Minister tours HSA

JUNE

HSA Therapy Services relocates to Bay Town Plaza

HSA Forensic Department receives genomic sequencing technology with capability to determine various strains of SARS-CoV-2

Accident & Emergency walk-in entrance renovated

Queen's Birthday Honour's List recognises 8 members of staff

COVID-19 Vaccination Team recognised for administering over 100k doses

Green light given for 12 – 15 year olds to be vaccinated against COVID



YEAR IN REVIEW

JULY

HSA Summer Internship Programme relaunches with 80 interns



AUGUST

HSA opens Complementary and Alternative Medicine Clinic

HSA partners with JUNK to introduce recycling programme

MyHSA Patient Portal mass registration drive launches

SEPTEMBER

New board of directors appointed

HSA and Ministry of Education provide face masks to schools

New ABA Therapy service introduced to neurodiverse community

Digital COVID-19 certificates available on MyHSA Patient Portal

Cayman Brac Flu Clinic reopens and drive through COVID-19 screening at Aston Rutty Centre

Public Health carries out mass primary school PCR testing due to COVID-19 outbreak





OCTOBER

MyHSA Patient Portal registration now available online

Stage 2 of the Cayman Islands Hospital A&E renovations begins

COVID vaccination clinic relocates to accommodate booster programme

Lateral Flow Test programme launched for persons in quarantine

NOVEMBER

Exit testing centres introduced in various districts



DECEMBER

Field Hospital recommissioned

Blood Donation Drive for O+ people due to shortage of blood supply

Public Health launches new isolation letter process

HSA PCR & Certified Lateral Flow testing costs introduced for travellers



OUTCOMES & ACHIEVEMENTS



Although COVID-19 continued to dominate national and worldwide attention in 2021, the HSA made substantial progress on many of our performance and operational goals established by the Board. Throughout the year, we remained focused on our strategic priorities to improve the patient and staff experience, expand clinical capabilities and optimize core services.

We also aimed to invest and focus on recruitment processes and engagement of employees through talent attraction and retention, develop and expand current infrastructure, and leverage technology to improve access to and delivery of care.

2021 could be characterized as a year of resiliency, flexibility, collaboration and courage as we faced many uncertainties and challenges due to the first wave of COVID-19 community transmission which tested our ability, in many areas, to manage its evolving nature.

The pace at which our healthcare system was able to respond to the ever-changing circumstances and resource allocations brought on by the pandemic and the scale of the transformation are an incredible achievement. From the extraordinary public health efforts to quickly mobilize contact tracing, COVID-19 testing and vaccine delivery, to the full resumption of service delivery, the HSA remained focused on ensuring our ongoing commitment to excellence and high-quality healthcare.

Much credit also goes to all our other clinical and support staff throughout the organisation on Grand Cayman and the Sister Islands, who, through their various roles showed agility, resilience and great commitment to ensure the HSA met the copious challenges throughout the year.

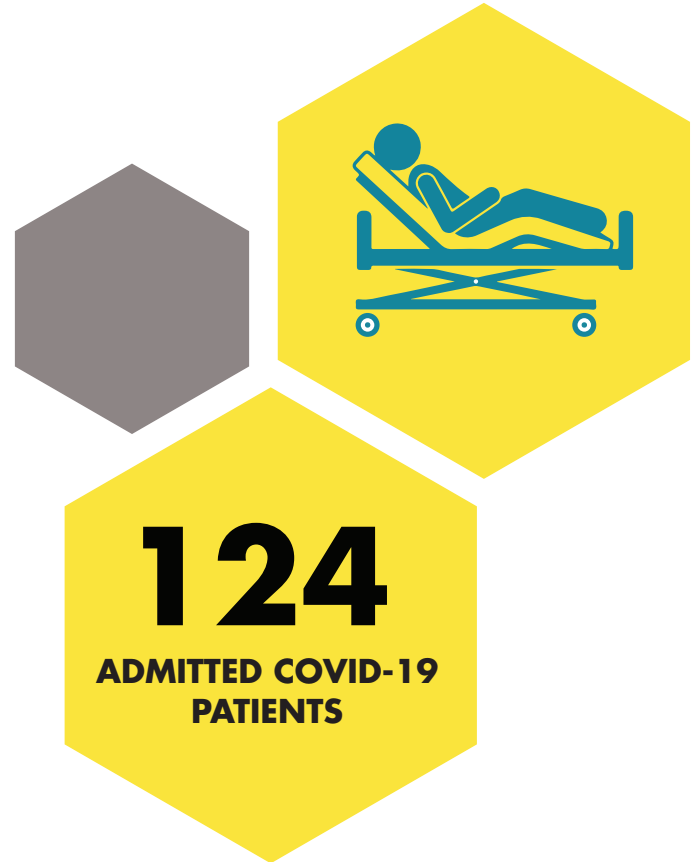
As leaders in healthcare in the national COVID-19 response we were at the forefront of much of the prevention and management efforts launching the COVID-19 Vaccination Programme which led to the administration of more than 132,000 vaccines. We cared for 124 admitted COVID-19 positive patients and administered over 86,000 PCR tests.

When the first wave of community transmission hit, we were prepared to manage the situation with adequate supplies, equipment, therapeutics and medication recommended for use in the management of COVID-19. We also sourced some newer immune modulating biologics. The Flu Hotline, Flu Clinic Respiratory Care Unit and Field Hospital were all reactivated and ready to respond.

There were increased opportunities for Caymanians from clinical positions such as nurses and swabbers to administrative roles such in registration and public health. HSA ensured staff were protected through protocols including use of PPE, sanitation and cleaning and vaccination. Over 80% of staff were vaccinated against COVID-19 and towards the end of the year a LFT monitoring programme was initiated requiring all staff to conduct LFT testing at least twice a week.

Despite the financial challenges resulting from the pandemic response, we exceeded our financial targets and ended the year with record revenue performance at approximately \$166 million (net), a 13.6% increase over 2020. With significant headway made in our fiscal performance we were able to further invest in clinical expansion, infrastructural development and technological innovation.

An \$8m investment aimed at delivering world class care into the future through infrastructure development to expand clinical services, improve the working environment staff and access to care, and to meet Joint Commission International standards was approved. Energy savings initiatives which will deliver \$300,000 in annual savings was initiated as well.



The HSA continued to improve access to care and services and create opportunities for a shift from the Cayman Islands Hospital centric model by expanding Therapy Services and Public Health Administration to Bay Town Plaza and George Town Financial Centre respectively. We also completed the first phase of our multiphase plan to expand outpatient services with the acquisition and fit-out of the Smith Road Centre. This investment has more than doubled our capacity for serving patients by allowing the transition of most outpatient services from the main Cayman Islands Hospital campus offering greater patient convenience through access to a wider range of specialist, pharmacy, primary healthcare, behavioural health services and diagnostic services. It has also given us the ability to introduce new clinical services to meet the growing demands and diversity of our patient population with the introduction of Complimentary Alternative Medicine (CAM), Chiropractic and Neurosurgery services.

With an ageing population and increase in patient numbers residents of the Sister Islands are set to benefit from the completed purpose-built Faith Hospital annex that houses Physiotherapy and a custom designed ambulance for Little Cayman.

Working towards our goals of better patient care delivery we acquired and installed a 124 slice CT machine. The modern diagnostic technology allows us the ability to lower radiation doses while capturing higher quality imaging, making the process safer and significantly more comfortable than before. It will also make scanning of challenging organs such as the heart easier and more efficient resulting in better patient outcomes.

We also leveraged our Health Information System MyHSA Patient Portal to rapidly implement a digital COVID Vaccine Certificate and have witnessed the impressive growth of over 27,700 new patient portal users. We also developed patient care solutions throughout the pandemic including virtual care through telemedicine which continues to be used for specialties such as dermatology, rheumatology, radiology, neurology and mental health and within departments such as the Medical, Surgical and Critical Care Units becoming a fixed part of our new normal.



Amid an evolving pandemic we unveiled a bold new 3 year Strategic Plan to guide our actions in 2022 and beyond and further enhance our position as the premier provider of healthcare in the Cayman Islands. We also welcomed a new board of directors with fresh perspective, management experience, business acumen and knowledge in a diverse range of fields, including healthcare, to provide the guidance necessary to ensure all that we set out to accomplish comes to fruition.

These and many other achievements were a result of the exceptional support and leadership of the Board and Senior Leadership Team and the unwavering dedication and ingenuity of the staff throughout a relentlessly demanding year.



**\$166
MILLION**
IN NET REVENUES



27,700
NEW
MYHSA PATIENT
PORTAL USERS

13.6%
INCREASE IN
REVENUE



OUR STRATEGIC PRIORITIES

The HSA's strategic plan provides an overarching framework that guides the organisation in meeting priorities and fulfilling statutory functions. The plan ensures the healthcare system delivers the right care, in the right place, at the right time – while also contributing to the fulfillment of the Government's priorities.

The Plan is sustained by five strategic priorities with defined deliverables throughout the three-year period 2021-2023.



Improve the patient and staff experience

Implement measurable and sustainable goals to ensure the HSA remains the premiere healthcare provider in the Cayman Islands through patient satisfaction and loyalty and is a high performance organisation that attracts and retains the best talent.



Expand HSA's clinical capabilities and optimize core services

Evaluate and enhance clinical services to meet changing population growth and demographics of the Cayman Islands to increase the HSA's market share, revenue and patient outcomes.



Talent attraction & retention

Invest and focus on recruitment processes and engagement of employees.



Develop and expand current infrastructure

Expand current facilities to meet current needs and projected growth in patient volumes while being environmentally responsible.



Leverage technology to improve access to and delivery of care

Invest in technology to promote efficiency in all areas of the HSA environment.

STRATEGY 1

IMPROVE THE PATIENT AND STAFF EXPERIENCE

Protecting and upholding the safety of our patients and our most valuable resources – our staff - is our top priority at the HSA. 2021 was a year of great strides in overall quality, patient safety, patient experience and performance improvement.

Much of these advances were the results of changes to infrastructure in alignment with our Master Facility Plan. With the addition of three new locations - Smith Road Centre, Bay Town Plaza and the George Town Financial Centre – our patients have increased options and greater access to care. One of the key benefits of the acquisition of these spaces is our ability to provide a broad range of outpatient and diagnostic services in one building eliminating the many different points of services and movement of patients across the hospital campus. Patients seeking Therapy Services have access to these under one roof at Bay Town. Also, no longer will patients be required to move from multiple location points on the main hospital campus from General Practice to Radiology to Phlebotomy, Pharmacy and Specialist Clinic. We have created a patient-centred approach to combining all these connected services in a single facility within a floor of each of other at the Smith Road Centre. This a significant step towards offering a better patient experience.

During the fit-out of these facilities the patient and staff experience and safety was largely considered; this is most notable at the Smith Road Centre which is the new hub for our outpatient services. The building has full power recovery, concrete roof, security and fire control systems and is a category 5 hurricane rated Class A building. These features are compatible with our patient and staff safety needs.



Also among the many new features of the new building is specialized ventilation to enhance our infection control standards, custom furniture designed exclusively for healthcare with special ergonomic and infection control standards.

Other important features include redesigned waiting and clinical rooms to enhance patient throughput, new staff lounge, improved clinical workspace including nursing stations and an advanced environment of care to meet JCI Standards and to support our staff to do their jobs effectively.

Adding to the patient experience is sizeable parking for location for ease of access to services and a transport shuttle which provides frequent service for the transport of patients and staff between the main campus and the Smith Road Centre when there is the need for persons to commute between the two sites.

Another transport service implemented in 2021 is the non-emergent patient transport to service meet the needs of our patients requiring wheelchair and stretcher assistance. The service has proven an invaluable addition for our patients, specifically for our dialysis patients, who utilize the service frequently leading to the need to onboard additional staff to operate the vehicles. It has also improved our patient flow and positively impacted our EMS team, allowing them to respond more timely to emergency calls.

Accident and Emergency also acquired new ergonomic wheelchairs with a large range of features and specifications that cater towards our patients' specific needs.

The Information Desk services at the Cayman Islands Hospital were further expanded to provide visitors to the hospital information regarding general queries and facilitate medical records requests, thereby reducing staff and patients' exposure to COVID-19.

As with many organisations, the HSA has adopted more flexible working arrangements for staff during these challenging times allowing increased opportunities to work remotely (depending on their job requirements).

We constantly review our performance so that we can identify ways to better serve our patients. We have successfully improved the experience of patients and families, and this is evident in our revamped patient experience survey measured independently by an international agency. Scores from the survey indicated that of the 21,439 surveyed in 2021, 83.5% gave our quality of care and service a positive rating with most ranking it as excellent (a score of 9-10). With our real-time survey of patient encounters, we have the ability to receive patient feedback quickly, allowing us to address and resolve issues in a timely manner.

We significantly advanced our efforts towards Joint Commission International (JCI) Accreditation and establishing ourselves as a medical centre of excellence internationally.

We measure and track all serious safety events (SSE) that arise when we don't meet the standard of care, or an unanticipated outcome occurs. Early reporting allows for a standardized, empathetic response including immediate care for the patient, transparent and honest communication with the patient and family, care for our caregivers, and early, systems-focused learning. We thoroughly investigate every SSE to understand what happened, what we could have done to prevent it, and what we can do to ensure it never happens again. Our blame-free environment, Just Culture, ensures our team members feel comfortable reporting all events, from errors to "near misses", without fear of retaliation.

We also conduct daily briefing meetings to establish a safe space for managers to identify any issues or concerns related to safety. Solutions to concerns are discussed in greater detail offline so team members can get back to work as quickly as possible.



83.5%

**gave our quality
of care and
service a positive
rating**

OUR JCI JOURNEY

Throughout the year our focus on enhancing quality of care, the patient and family experience, staff support, safety and JCI accreditation were aided by the following activities and accomplishments:

- A robust framework has been established for JCI readiness. All departments have identified their KPIs which will be monitored and recorded monthly. This also includes the Sister Islands.
- A digital framework using Smartsheet has been established to record and monitor KPIs.
- A digital framework established to record and monitor COVID results for HSA staff.
- A daily virtual JCI huddle has been established to incorporate senior managers and managers.
- Expansion of Health & Safety team.
- Expansion of the Patient Experience team. Recruitment of three additional patient experience assistants.



STRATEGY 2

EXPAND HSA'S CLINICAL CAPABILITIES AND OPTIMISE CORE SERVICES

During the year, significant investments were made in fulfilling our commitment to improving access to care and the patient experience by expanding the hours of operation and introducing new clinical services.

The progress to complete the fit-out of Levels 1, 2 and 3 at Smith Road Centre for outpatient services was a significant leap forward in 2021 in our strategic initiative to expand access to care and transition most outpatient services from the hospital campus, offering greater patient convenience via access to a wider range of specialists, pharmacy, primary healthcare, behavioural health and diagnostic services.

We started a phased acquisition of most of the building at the Smith Road Centre in 2018 with the HSA now owning approximately 80% of the 45,000-sq. ft. complex. The acquisition of the Smith Road Centre will more than double our capacity for serving patients and the ability to introduce new services including Complimentary Alternative Medicine (CAM), Sports Medicine, Chiropractic, and microbiology services.

Existing services have also expanded significantly with thirty-nine more clinical rooms; an increase in our specialist clinic rooms from twelve to sixteen; from three to seven for cardiology and an increase of ten rooms for our General Practice and Primary healthcare services and almost doubling the size of our existing pharmacy.



One of the key benefits of the acquisition will be our ability to provide a broad range of outpatient and diagnostic services in one building eliminating the many different points of services and movement of patients across the hospital campus.

Adding to the patient experience is a patient transport shuttle which provides a service for the transport of patients between the main campus and the Smith Road Centre when there is the need for patients to commute between the two locations.



Our other activities to increase access to care, reduce patient waiting times and enhance the overall experience included:

- completion of the waiting room renovation and first phase of the Accident and Emergency Room to increase the bed capacity and patient throughput in the emergency department, reduce waiting times, improve staff workflow, increase patient privacy.
- expansion of the existing inpatient Acute Mental Health Unit with an additional three beds to increase access to care in the appropriate clinical setting. This reduces these admissions to other inpatient units within the hospital which are not properly staffed or equipped to manage these patients' presenting security, quality of care and other risks to staff and patients. To accommodate the expansion the Day Centre programme was relocated to the Education Department property on Smith Road which has been leased to the HSA.
- commencing work for relocation and expansion of cardiology services to the suite of Specialist outpatient services at the Smith Road Centre at substantially lower cost than originally planned. The new location increases dedicated physician consult rooms from one to four and will have the capacity to expand services in an environment reflective of a modern outpatient cardiology unit.
- expansion of the Chemotherapy Unit to provide additional space for patient treatment.
- conversion of existing space at Merren Dental Centre to provide two additional dental surgery suites to increase revenue capabilities especially in cosmetic dentistry.
- renovations of the patient rooms with the installation of new flooring and cabinetry with all semi-private rooms now complete.

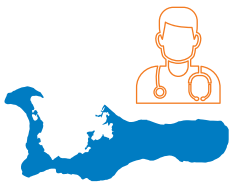
By their nature, capital investments tend to involve planning and delivery over multiple years, and as such, timescales, and delivery on some of our activities are over a multi-year period. Our efforts will continue in 2022 with the following critical projects aligned with our outcome goal of improving access to care.



- Conversion of the General Practice Clinic to a 24-hour Adolescent Mental Health Hub, offering a range of services in a purpose designed environment that will make it easier for children and adolescents to seek and receive help where they can feel safe.
- Fit-out of the Bay Town facility to improve and expand physiotherapy services.
- Expansion of the morgue capacity to hold up to 30 deceased bodies from current capacity of eight. The expansion of the morgue will also form part of a larger project to expand the Forensic Lab.
- Expansion of Accident and Emergency to include an additional 6 beds to improve patient throughput.
- Fit-out of the Smith Road Centre for relocation of the Cardiology Unit to a purpose-built clinical space with additional consult rooms.
- Fit-out of the Smith Road Centre for the transition of the Blood Bank.

Public Health/Primary Healthcare

Like healthcare organizations across the world, the COVID-19 pandemic permeated all aspects of our operational activities. Since the COVID-19 pandemic began, the Public Health Department has been working tirelessly to inform and educate the public, advise and lead government policy initiatives, conducting testing, contact tracing and a national vaccination programme. As a result, when asked about public health, COVID-19 is often the first thing that comes to mind. However, in 2021, the Public Health Department made several accomplishments beyond COVID-19 related feats.



GP VISITS
GRAND CAYMAN
54,363



GP VISITS
CAYMAN BRAC
4,758



GP VISITS
LITTLE CAYMAN
531



OF TELEPHONE
CALLS TO FLU
HOTLINE
21,645

Increasing health promotion and disease prevention strategies

The Public Health Department continues to work on expanding the CayHealth programme, which was launched in 2010 as a joint initiative of the Ministry of Health and Ministry of Community Affairs to assign patients with a general practitioner, who will coordinate all aspects of their care. CayHealth, serves persons who have indigent medical insurance. This expansion now includes all recipients of indigent medical insurance up from the initial cohort of persons.

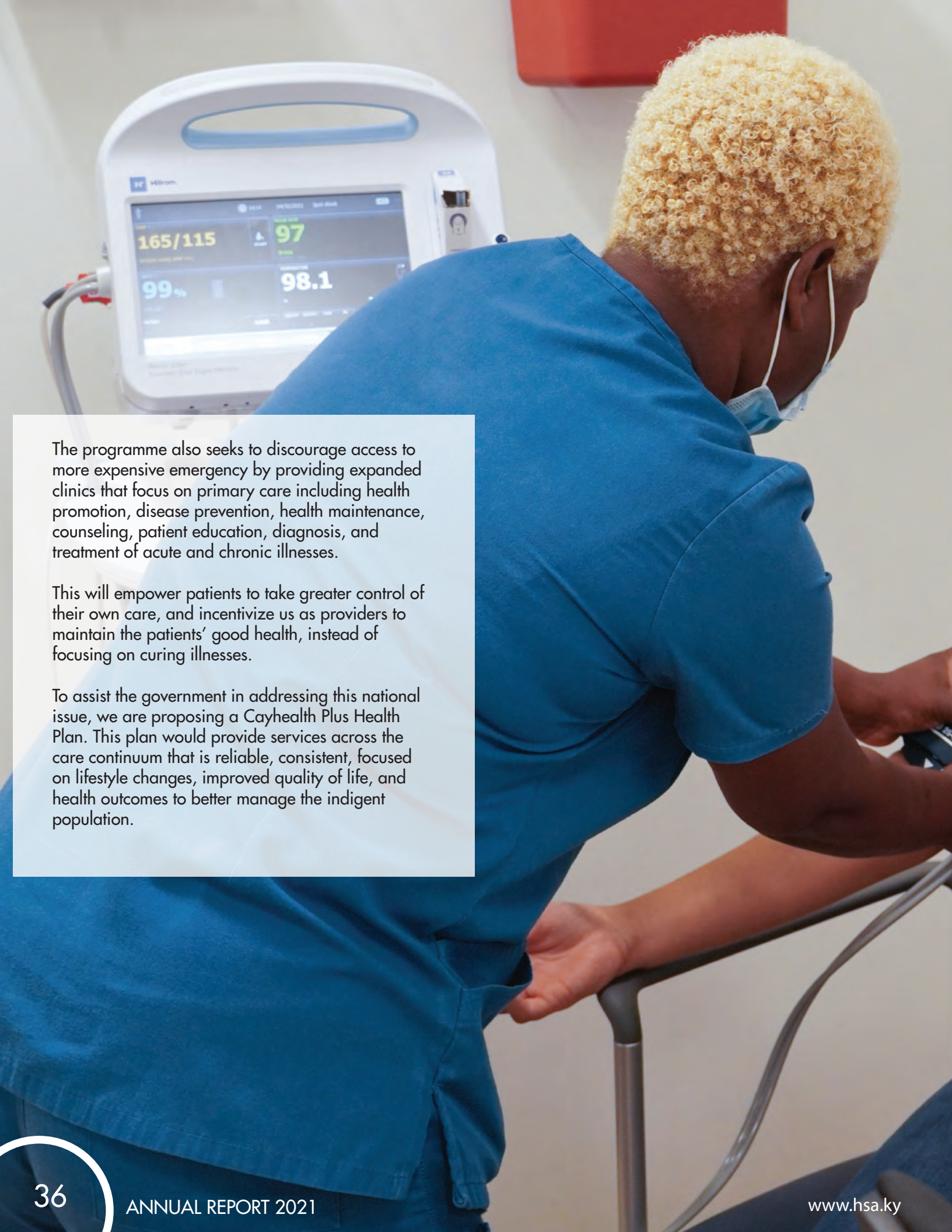


A critical element of the CayHealth programme is increasing access to health education and healthy lifestyle programmes. It is designed to ensure continuity of care by pairing individuals with an designated general practitioner who will be their primary physician and provide quality medical care, maintain their medical records and assist them by coordinating any referrals they may need for additional care. Persons within the programme will also have the benefit of accessing care at the health centre in the district where they reside and have the health care team at their health centres coordinate access to specialists and overseas care if necessary.

The programme continues to provide positive results in preventative care for members of the group and has demonstrated value in transforming the healthcare focus from "sick care" to "well-care" by practicing preventative medicine to promote healthy living and prevent chronic disease and injuries.

Among the CayHealth population group, visits to our General Practice for preventive care increased from 44% to 67%. In contrast, Specialist visits declined from 37% to 22% since the programme commenced in 2010. Emergent encounters at our Accident & Emergency facilities for participants also decreased from 18% to 11%. Patients enrolled in the initial programme are also showing much better control of their chronic conditions such as Diabetes Mellitus and HTN. These statistics provide evidence of the programmes' effectiveness and encourages further expansion of the model.

The success of this initiative has been lauded by the Auditor General highlighted as "an example of leading practice in chronic disease management". This was outlined in a 2017 report titled "Ensuring Quality Health Care and a Healthy Population." The report concluded that "expanding the benefits incurred by the CayHealth Programme offer better utilization of healthcare resources to other patient populations and should result in improved value for money."



The programme also seeks to discourage access to more expensive emergency by providing expanded clinics that focus on primary care including health promotion, disease prevention, health maintenance, counseling, patient education, diagnosis, and treatment of acute and chronic illnesses.

This will empower patients to take greater control of their own care, and incentivize us as providers to maintain the patients' good health, instead of focusing on curing illnesses.

To assist the government in addressing this national issue, we are proposing a Cayhealth Plus Health Plan. This plan would provide services across the care continuum that is reliable, consistent, focused on lifestyle changes, improved quality of life, and health outcomes to better manage the indigent population.



STRATEGY 3

TALENT ATTRACTION & RETENTION

HSA continues to be one of the largest single employers in the Cayman Islands with over 1,000 employees. With the island's population growth and HSA's service and infrastructure expansions, our need for more staff also continues to increase. In 2021, 57% of our staff were Caymanian, and we continue our efforts to be a local employer of choice.

With JCI Accreditation on the horizon, the Human Resources Department conducted vigorous audits of each employee file to ensure all personnel information is up-to-date and complete. The standards and requirements set out by JCI are now fully implemented throughout the department.

The work to implement our new HR information system commenced in 2021. When the system is launched, it will provide complete electronic solutions for HR management from onboarding to retirement.

57%
**CAYMANIAN
STAFF**

**OVER
1,000
EMPLOYEES**



- **Workforce Plan**
- **58 Caymanians hired support the COVID-19 initiatives**
- **Expansion of staff wellness initiatives and partnership with Employee Assistance Programme (EAP)**

Training up

In 2021 all Senior and Section Manager completed a Just Culture training course as a step to adjust the work environment on how we hold each other accountable. It considers human errors and system process and creates a culture for learning both from an employee and an organizational standpoint generating outcomes that are fair and just.

After a one-year hiatus due to COVID-19, the Health Service Authority (HSA) relaunched their annual summer internship programme for 2021, providing approximately 80 college and high school students the opportunity to get hands-on experience in a variety of departments in the medical care field. Students had the option to choose what most aligned with their interest from over 16 departments.

Within the clinical teams, there are various levels of skills and support required to provide a safe and comfortable experience for our patients. We discovered a gap in the field of Healthcare Aides, therefore developed a free 13-week training programme for HSA staff who were interested in becoming a certified aide. Eleven staff members successfully completed the programme, including two in Cayman Brac, with four moving into permanent healthcare aide positions. A second cohort is being offered due to the demand for the programme.

Wellness & Rewards

A Park & Ride Pilot Programme was launched to provide staff a peaceful commute to and from work, help reduce our fuel and vehicle maintenance costs and our organisation's collective environmental impact. The programme offered ten pick-up locations from Red Bay to Bodden Town and ran Monday – Friday.

589 employees were recognised with a long service award for work anniversaries from 5 years to 45+ years spanning 2017-2021. HSA values and supports these team members, some of which have been with the organisation for nearly 50 years.

We continue to expand our staff wellness programmes which currently include meditation and grief support, including a new partnership with Employee Assistance Programme (EAP) offering various wellness sessions.

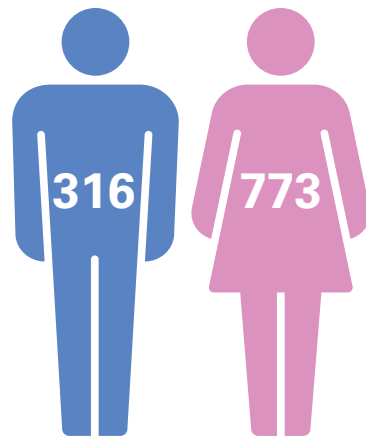
COVID response

The Health Services Authority (HSA) strives to provide healthcare in a safe environment, protecting patients and staff from undue risk, and promoting safe healthcare practices. The increased prevalence of COVID-19 in the local community required changes to our existing policies and protocols to ensure the security of our national health infrastructure.

In order to mitigate additional spread of the virus within the workplace, the deployment of lateral flow monitoring across the organisation for all employees regardless of vaccination status was actioned, which will help for early identification of the COVID-19 infection in HSA employees.

As the pandemic continues, so does our need for human resources to support the activities of HSA and the Public Health Department. In 2021, 71 individuals were onboarded to assist with COVID-19 activities on a temporary basis.

OUR PEOPLE



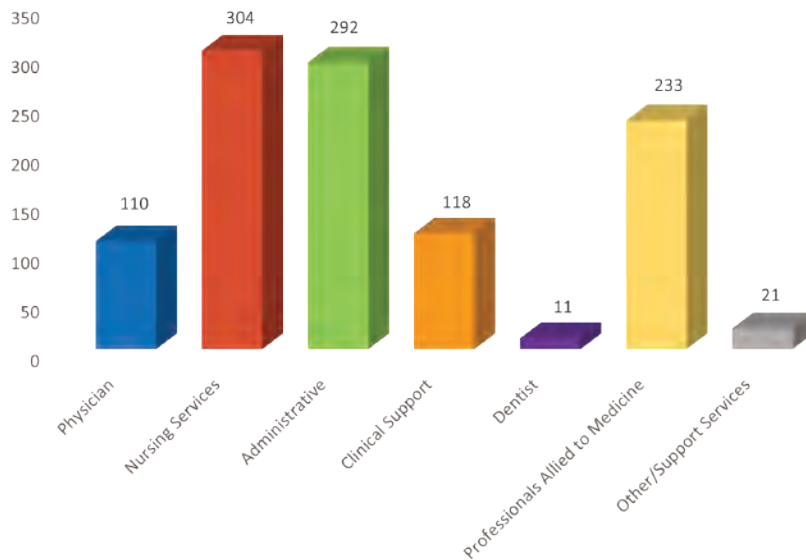
**Out of 1089 employees
316 are male, 773 female**



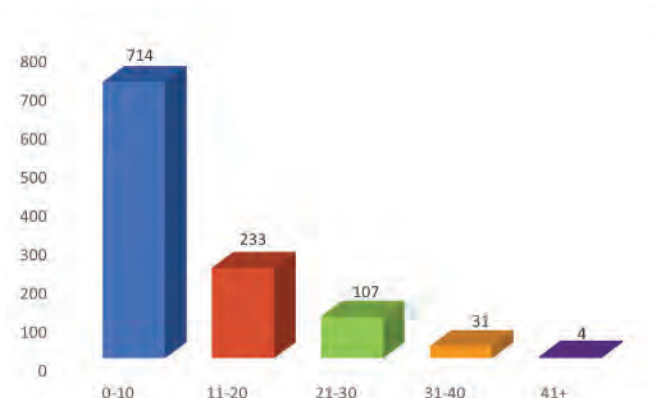
Nationality	# of employees	% (percentage)	Nationality	# of employees	% (percentage)
American	12	1.10%	Indian	48	4.41%
Bahamian	1	0.09%	Irish	5	0.46%
Barbadian	5	0.46%	Italian	2	0.18%
Belizean	1	0.09%	Jamaican	216	19.83%
Brazilian	1	0.09%	Kenyan	1	0.09%
British	53	4.87%	Mauritian	2	0.18%
Canadian	13	1.19%	Myanmar	1	0.09%
Caymanian	626	57.48%	Namibian	1	0.09%
Colombian	2	0.18%	New Zealander	1	0.09%
Cuban	4	0.37%	Nicaraguan	2	0.18%
Danish	1	0.09%	Nigerian	4	0.37%
Dominican (Dominica)	2	0.18%	Polish	4	0.37%
Dominican (Republic)	1	0.09%	Romanian	1	0.09%
Filipino	25	2.30%	Saint Lucian	11	1.01%
Finnish	3	0.28%	Saint Vincentian	3	0.28%
German	2	0.18%	South African	9	0.83%
Guyanese	8	0.73%	Spaniard	2	0.18%
Haitian	1	0.09%	Trinidadian	7	0.64%
Honduran	7	0.64%	Zimbabwean	1	0.09%
			1089	100%	

OUR PEOPLE

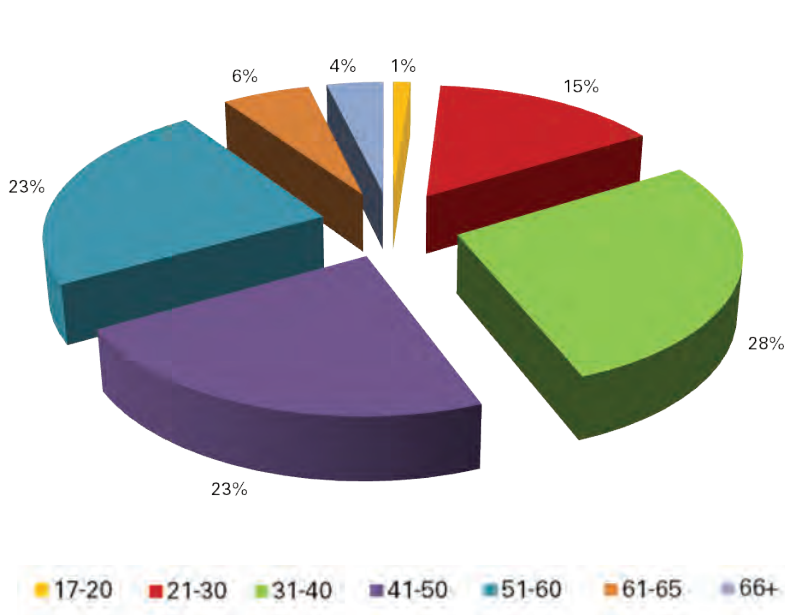
Staff Distribution



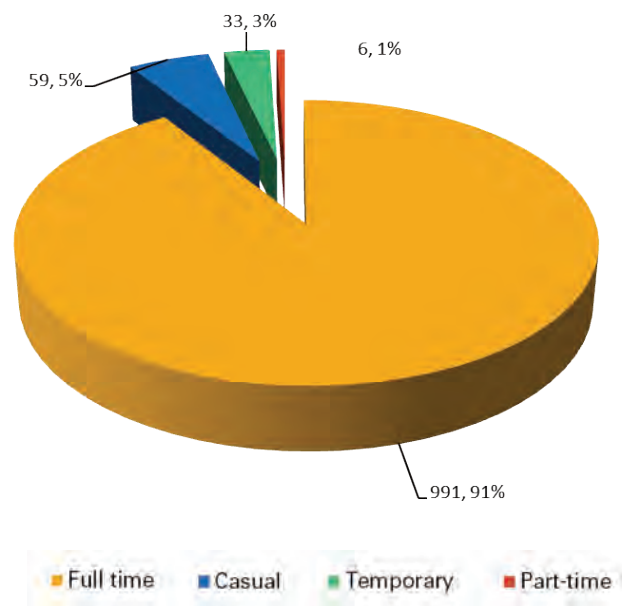
Years of Service



Age Distribution



Employment Status



STRATEGY 4

DEVELOP & EXPAND CURRENT INFRASTRUCTURE

After decades of cash flow challenges impeding needed investments, we embarked on an ambitious infrastructure development programme in 2021 to ensure our world-class healthcare staff have world-class facilities to continue deliver cutting-edge care.

\$8m was appropriated in the 2021 capital budget to fund approximately thirty-five (35) critical infrastructure projects of varying scope and complexity – the largest single investment since the inception of the Authority in 2002.

Of the 35 projects approved four (4) were dually aligned with our outcome goal of delivering cost efficiencies and will collectively result in annual cost savings to the HSA of approximately \$ ½m with recovery of investments in less than 10 years and delivering on our commitment for smart investments, with quantifiable outcomes and judicious appropriation of public funds.



OUR ACTIVITIES THROUGHOUT 2021 INCLUDED:

- Improve patient access and the patient experience
- Completion of the Smith Road Centre Project for relocation of outpatient services
- Renovation of Accident & Emergency waiting room and care spaces
- Relocation of the Mental Health Day hospital
- Expansion of the Chemotherapy Unit
- Renovation of the Merrens Dental Clinic
- Expansion of the Mental Health inpatient Unit by adding 3 rooms
- Acquisition of additional space on 1st floor of SRC for radiology, blood bank and microbiology expansion
- Relocation of several other services including Therapy Services (Physio, Occupational & Speech), Finance, COVID-19 testing and vaccination clinics, etc.

DELIVER COST EFFICIENCY

- Executed four critical projects which when completed will deliver long term financial savings to the HSA estimated at \$360K annually.
- Other critical initiatives also include remobilizing the oxygen plant which will yield further substantial savings of approximately \$ 1/4m annually.



IMPROVE PATIENT SAFETY AND QUALITY

- Implementation of JCI recommended initiatives to meet key accreditation requirements including patient room enhancements, renovation of clinical and other workspaces to improve patient care, enhance staff and patient safety
- Engaged local construction industry with small works contractors to improve the environment of care and execute needed repairs
- Expanded Materials Management warehouse and Pharmacy stores
- Refurbished external doors and front canopy of the Cayman Islands hospital
- Replaced roof soffits in all areas of the main campus
- Facilitated increase in number of equipment with timely preventative maintenance records
- Upgraded camera and alarm systems across campus

ENHANCING ENVIRONMENTAL SUSTAINABILITY AND BUILD INFRASTRUCTURE RESILIENCY

- Initiated and implemented critical projects to enhance facility resilience and environmental sustainability including chiller and window replacements as well as procurement to replace the wastewater treatment plant
- Stood up the Respiratory Care Unit to care for COVID-19 positive patients
- Converted several spaces into negative pressure environments for COVID-19 positive patients
- Stand up the field hospital in short period and at reduced cost
- Implemented a recycling programme across various facilities



EXPAND CLINICAL SERVICES AND OPTIMIZE REVENUE GROWTH OPPORTUNITIES

- Retrofitted facilities to optimize service delivery including West Bay Dialysis Clinic, relocation of Public Health Services to provide new opportunities for cardiology expansion.

STRATEGY 5

LEVERAGE TECHNOLOGY TO IMPROVE ACCESS TO AND DELIVERY OF CARE

Our strategic initiatives to leverage technology to improve the delivery of care, enhance the patient experience and improve efficiencies were significantly advanced in 2021 through many project deliverables.

IT supported and implemented multiple off-site department relocations and services expansions, including Fatih Hospital. Over 200 PCs and 350 monitors were deployed throughout the organisation.

To help increase IT infrastructure resiliency, redundancy and security, a variety of projects were implemented including new anti-spam software for email, disaster recovered back-up system, firewalls, UPS system upgrades and over \$129K in additional storage to increase service speed and zero downtime.

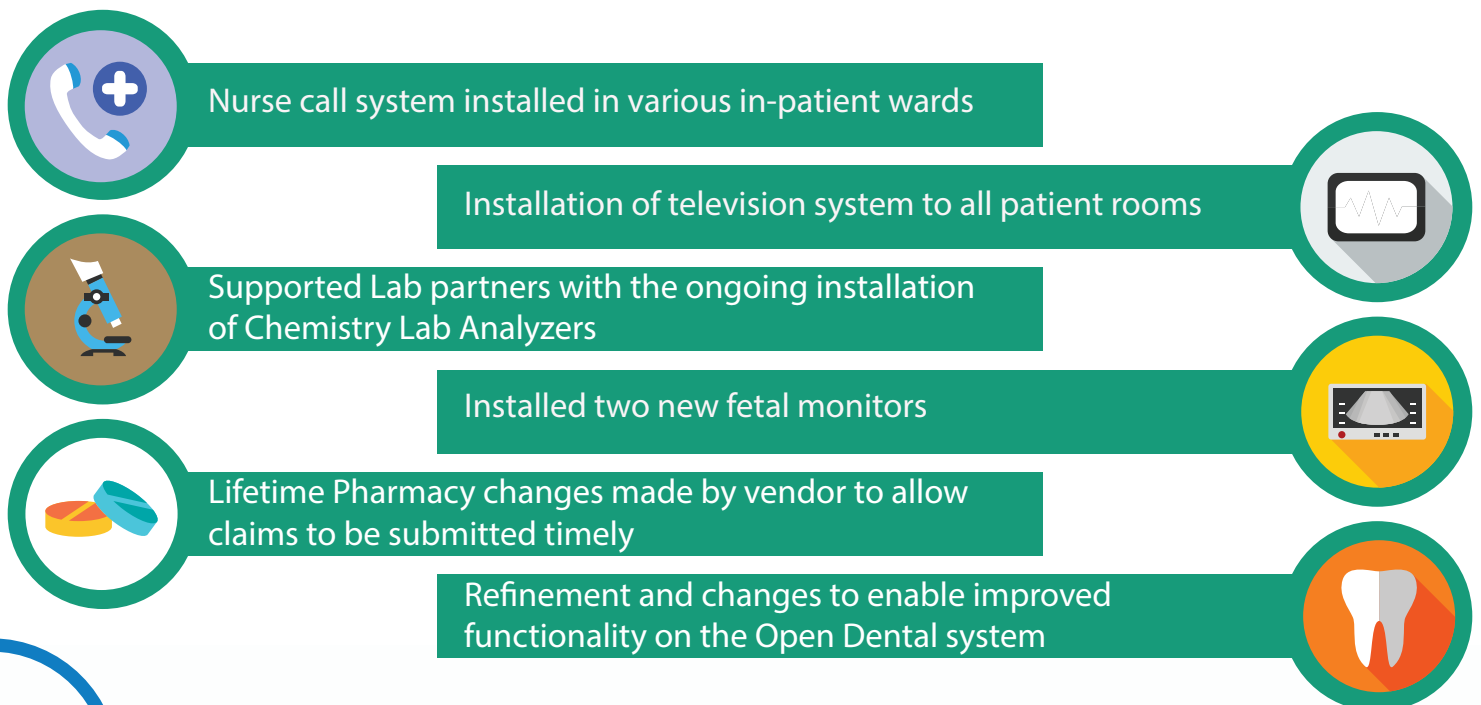
Staff have benefited from many of this year's IT advancements including the Imprivata Single Sign on which provides fast & secure access to CERNER by clinicians, saving approximately 45 minutes per shift, per clinician.

In 2021 one of most instrumental advancements was the partnership with Cerner, Common Pass and the Cayman Islands Government to provide a validation mechanism for COVID-19 vaccines in order to provide a securely verifiable digital QR code. This truly was an accomplishment, allowing persons to travel with a secure form of vaccination validation.

The COVID-19 vaccine QR code was added to the MyHSA Patient Portal which tremendously increased the sign up for this service. As a result, an online registration form was developed to ease the sign-up process and to accommodate persons overseas to ensure they had access to their COVID-19 vaccination information.

The entry of COVID-19 vaccinations into Cerner in real time provides persons immediate access to their QR code in the Patient Portal.

Other successes in 2021 included:





SISTER ISLANDS HEALTH SERVICES



Faith Hospital in Cayman Brac, an 18-bed facility, and the Little Cayman Clinic in Little Cayman provide quality care for our patients, and to work toward the achievement of optimal healthcare outcomes for the Sister Islands population of over 2,200 residents. In 2021, there were a number of advancements and expansion of services achieved.

The surge of COVID-19 in the Cayman Brac community in the latter part of the year put Faith Hospital staff and resources to the test, however, we remained resilient through it all. The Aston Rutty Medical Wing was utilised for COVID-19 vaccine administration, flu clinic, PCR & certified lateral flow testing, and drive-thru testing when heightened testing was required.

Faith Hospital proudly opened a newly built Annex building to facilitate the new Physiotherapy and Materials Management Department. With a high elderly population in Cayman Brac, the demand for physiotherapy services continues to grow. In addition to new facilities and equipment, an additional Physiotherapist was recruited to allow further expansion of services.

SISTER ISLANDS HEALTH SERVICES



Additional services include a monthly Oncologist visit for outpatient services and consultation. Orthodontist services have also been added partnering with a private orthodontist to visit once a month to better serve the youth. This allows regular visits to be conducted in the Brac provides better access to care for patients, reducing or eliminating their need to travel to Grand Cayman.

Other activities throughout 2021 included:

- New purpose-built ambulance for Little Cayman
- Infrastructure upgrades to meet JCI requirements including replacement of ageing air conditioners, water systems as well as enhancements to the medication rooms.
- Reallocation of female ward bed and updated restrooms
- Installation of three negative pressure rooms for the care of COVID-19 patients
- Renovation of nurse's lounge
- Installation of new chairs for the in-patient unit, emergency room waiting area, out-patient waiting area.
- Significant investments were made in new clinical equipment including Coloscopy machine, physio therapy equipment, fridge/freezer and XR imaging system (arriving 2022)



COVID-19 RESPONSE



Since the outbreak of COVID-19, the HSA has been facing unprecedented challenges. At different points during the pandemic, the virus has strained hospital capacity and human resources, disrupted supply chains and delayed regular ongoing care and elective services. COVID-19 also exacted a heavy toll — mental, emotional and physical — on the health care workforce.

Despite these challenges the HSA leveraged guidance of international healthcare organisations and responded decisively, adapting as the virus continued to affect every aspect of our society. We made tremendous efforts in the fight against COVID-19 and learned invaluable lessons for future public health responses from more efficient reorganizing of service delivery and utilization of technology to greater employee management in times of crisis.

Our key activities included tracking spread of the disease, supporting and equipping healthcare workers, increasing testing capacity, working to better understand the virus and prevention strategies, developing and disseminating guidelines for the public, and supporting those on the front lines of Public Health.

With our overriding goal to protect the lives of citizens across the Cayman Islands and acknowledging that vaccines are at the heart of the country's strategy to manage COVID-19, the HSA secured access to more than 9,750 doses of the Pfizer BioNTech COVID-19 vaccine at the beginning of the year. We then gradually established the largest and most successful testing infrastructure in the Caribbean through the rollout of our national vaccination programme resulting in the vaccination of over 58,000 people in the Cayman Islands.

Throughout the year the vaccines were administered in phases beginning with those critically vulnerable and frontline workers and then expanding to the general public. The initial response to the programme and uptake was a tremendously positive response with people eager to protect themselves and their loved ones against the virus.

A limited supply of the AstraZeneca vaccine was also made available to persons who were unable to take the Pfizer vaccine due to medical reasons or preference.

As demand for the vaccine increased the HSA scouted locations that would meet capacity and improve the process of delivering the vaccination, which led to partnerships with the Cayman Islands Airport Authority (CIAA), Dart, Camana Bay, the Lions Club of Grand Cayman & Department of Children & Family Services.

Provisions were made for home bound persons to be provided the vaccines in the comfort of their residences by a Public Health nurse.

Other necessary measures we rely on to reduce COVID-19 infection are case detection, isolation, and contact tracing of positive cases, followed by quarantine for those exposed. PCR testing increased exponentially in 2021, driven chiefly by the outbreak of community cases and travel requirements after the reopening of borders, and certified lateral flow testing was introduced.

Our staff worked arduously to facilitate the demands of PCR testing for travel while managing those for public health community testing. Testing clinic hours were expanded and the Flu Hotline offered 24-hr service to persons with COVID or isolation related queries and its calling tree was implemented providing ease of access to information for residents. At the end of the year the HSA introduced costs for travel PCRs and certified LFTs.

Although the most vulnerable were given priority in the national COVID-19 prevention efforts, special attention was also provided to the youth through various initiatives including a vaccination drive for persons aged 16-24 hosted by the HSA, Public Health and Ministry of Health. The purpose of the vac-CI-nation event was to encourage the youngest age group of people who have not had their COVID-19 vaccine to receive their first or second shot.

When the wave brought with it an outbreak in the schools, HSA and Public Health conducted a mass testing of numerous schools as a measure to ensure the wellbeing of the schools' entire population and provided guidance to the Department of Education Services (DES). Also, once given the green light, we began offering the Pfizer-BioNTech vaccines for those aged 12 to 15 years old.

The readiness of our hospitals was of utmost priority to the HSA and we ensured that we were prepared for any reintroduction of COVID in the community which has been part of our action plan for the border reopening. COVID protocols involved additional PPE, sanitation and cleaning to ensure everyone's safety.

By the middle of the year over 80% of staff were vaccinated against COVID-19 and eventually an LFT monitoring system was implemented requiring staff to conduct LFTs at least twice weekly. The Flu Clinics were reactivated and the hours expanded as demand increased. The field hospital, which was demobilized early in the year, was later stood up and has been on standby should we need it for COVID patients in the near future.





The HSA led in the formation of a clinical national COVID-19 task force at the beginning of the pandemic that implemented COVID-19 clinical guidance, which advised our clinical teams how to manage hospitalised patients with severe acute respiratory infection when COVID-19 infection is suspected or confirmed based recommendations from the World Health Organization, CDC, Public Health England, Health Canada, and the European CDC.

We continue to be well prepared and have a treatment strategy for COVID positive patients. We have most standard medications recommended for use in the management of COVID-19 and have also sourced some newer immune modulating biologics.

In 2021 the six-bed Respiratory Care Unit (RCU) was reactivated and another section of the hospital was converted and dedicated to the care of COVID patients, however, as is international best practice, patients were admitted to various specialist units based on medical diagnosis and requirements of care (i.e. maternity patients are admitted on the Maternity Unit and surgical patients on the Surgical Unit). Where a patient's medical condition warranted a higher level of care this patient was admitted to the Critical Care Unit.

All rooms dedicated to the care of COVID patients were also converted into isolation negative pressure rooms. A total of 20 ventilators are available at the Cayman Islands Hospital should they be needed.

As Cayman and the rest of the world became acclimatized to the 'the new normal' and borders begun reopening with the stipulation of new travel requirements including secure digital proof of vaccination, HSA leveraged its health information management and technology services by directing people to MyHSA Patient Portal for easy access to their vaccine and other health records.

Over 60 community sign-ups sessions for the MyHSA Patient Portal were initiated to assist people with accessing their securely verifiable digital COVID-19 vaccination certificates. The initiative was expanded to the Sister Islands and the corporate community through private registration drives and online sign-up for the portal was soon introduced. Over 27,700 individuals registered for MyHSA patient portal.

Challenges

Adequate spacing to facilitate the testing and vaccinations posed an ongoing challenge for the HSA prior to settling into its final venue, 131 Centre on MacLendon Drive. While medically prepared, we found ourselves facing unforeseen administrative gaps and obstacles that arose due to the development of different variants of the virus such as Delta and Omicron, the significant increase in the number of community positives, resurgence of international travel and the ever-changing international regulations and guidelines that followed.





To meet capacity constraints and new guidelines, testing clinics expanded to the districts and separated into exit testing, LFT confirmation testing, testing for travel and other non-public health related purposes. Public Health also launched the isolation letter request process for individuals requiring further proof of isolation. Additional staff was hired to fill roles in the following positions: registered nurses, COVID temps, for vaccine administration, forensics/labs, flu hotline/clinic, contact tracing, swabbing, and general public health administration. Existing staff were also trained in house swabbing to support the testing clinic when needed. As Public Health expands its COVID responsibilities to the public, the HSA will continue to recruit additional temps as needed in the various areas.

The booster programme (dose 3) was launched with a new supply of Pfizer and AstraZeneca vaccines provided in the same order as was done at the start of the national vaccine programme with the clinically extremely vulnerable and frontline workers given priority. The HSA continues to promote the programme and aim to increase the booster uptake rates.

COMMUNITY PARTNERSHIPS

Throughout the year HSA has been the recipient of donations and continues to build partnerships with various community organisations to improve the healthcare for our patients. Although 2021 was a challenging year for many, the collaboration and community support were as strong as ever.

HSA staff raised funds over a four-month period to donate to the charity through optional monthly salary deductions, an optional one-time lump sum or a combination of both. This new initiative, HSA Cares, provided a donation to Meals on Wheels.

Recycling is easier and more convenient for staff, patients and visitors at the HSA with the expansion of our recycling programme in partnership with JUNK. The initiative is a part of the HSA's ongoing efforts to reduce its carbon footprint, ensure social responsibility, support a circular economy, and become a corporate leader in environmental sustainability in the Cayman Islands. Recycling bins for glass, plastic (#1 & #2) and aluminum/tin cans were placed across the Cayman Islands Hospital and the West Bay and Bodden Town District Clinics.

The Health Services Authority (HSA) and Ministry of Education engaged in a joint initiative to provide 500 masks to each school in the Cayman Islands. This measure is aimed at providing an added layer of protection to our vulnerable children who are not yet eligible for vaccination.

In late 2021 the blood bank was critically low on supply due and appealed to the public to make a blood donation. The public response was incredible and within a couple days the blood bank resumed a sufficient supply.





Events

In February, HSA hosted its second World Cancer Day event, themed 'Cancer Care During COVID-19' in collaboration with the Cayman Islands Cancer Society, Cayman Islands Cancer Registry and Jasmine. The event offered CME credits and we held at The Wharf.

With numerous infrastructure initiatives of various sizes in scope, the HSA hosted an event called 'Contractors Connection' to engage and inform local contractors, both small and large, about upcoming opportunities, the bidding and procurement process.

The Alex Panton Foundation Youth Mental Health Symposium has become an annual event in which we partner with as a sponsor and featured Dr Marc Lockhart, HSA Psychiatrist as a speaker.

During a time period when COVID-19 vaccine was low among 16-24 year olds, the HSA and Public Health spearheaded the vac-CI-nation event in Camana Bay to help attract younger persons to get vaccinated. The event included partnerships with Doctors Hospital, DMS Broadcasting, Foster's Supermarket, Rotaract Club of Grand Cayman and Camana Bay.

HSA participated for the first time in Sportista's Sports & Fitness Expo as an exhibitor at the ARC in Camana Bay. Our Therapy Services team showcased their services and the only continuous passive motion machine on island.

The 11th Annual Cayman Islands Healthcare Conference took place at the Kimpton Seafire Resort and HSA continues to be a premium sponsor and organisers of the event, along with the Ministry of Health. This year Dr Irka Ebanks presented on our new Complimentary & Alternative Medicine (CAM) clinic.

To round out the year HSA sponsored a water stop at the Walkers Marathon. Staff volunteered their time to support the runners throughout the event. The theme this year was 70's Disco and HSA ranked 4th favourite waterstop overall by the marathon runners.





Community partners

The Cayman Islands Forensic Science Laboratory procured two next generation sequencers which were made possible through generous donations from the R3 Cayman Foundation, the Caring for Life Foundation and an anonymous private donor. These machines gave the HSA capability to determine the various strains of SARS-CoV-2 which was monumental for the Cayman Islands. The technology also has the ability to conduct various types of genetic testing services including inherited disorder screening, cancer risk profiling and enhancing clinical microbiology.

A Vaccination Staff Wellness Retreat was held at the Kimpton to provide these hard-working staff a day of rest and relaxation. The day included wellness and team building activities, rounded out with a thank you reception with Government officials. Sponsors included Dart, Ministry of Health, Ministry of Tourism, Baptist Health, Maples, Deloitte, CINICO, Health City, CG Britcay, PwC & Logic. Other community partners also supported the event to show their appreciation to the staff.



The Cayman Islands Blood Bank, which operates out of the Cayman Islands Hospital, received a donation from Car City & Jeep354 to go towards the blood bank's ongoing efforts to help save lives. Over the year various organisations host blood drives to help keep the blood supply sufficient.

Various community donations to the HSA were made throughout the year including, equipment to Paediatrics and Maternity from the Caring for Life Foundation, new wheelchairs from Rotary Central Cayman Islands, and ABA therapy equipment and assessment kits from Rubis & Walkers.





LOOKING AHEAD

The public healthcare system was created for the benefit of all people. However, when the Cayman Islands Hospital was built circa 1999, “all people” meant approximately 38,000. Some 22 years later, “all people” has increased by 75% to now number over 70,000, and we are constantly growing. To meet the demand of the growing population and ensure our residents maintain access to timely, quality and affordable care we, will renew and expand critical infrastructure, medical technology and the services we provide. Some \$18.5 million will be spent on this effort this year.

A part of our strategy to improve service quality is to ensure the timely access to care for residents of the eastern districts by developing a satellite medical facility in Bodden Town that would replace the existing Bodden Town Health Centre. The micro hospital is a part of our 30-year Master Facility and Service Development Plan to meet the changing demographics and new demands for healthcare services with the architectural design set to begin in 2022.

The phased renovation and expansion of our Accident and Emergency Unit has already begun and will continue with the addition of consult rooms, two additional patient bays and a treatment room which will reduce patient waiting times, increase bed capacity in the unit and provide more appropriate setting for patients requiring treatment thereby freeing up beds for emergent patients.

The current EMS spread has remained unchanged for more than 20 years and can no longer meet the demand of our increased population and patient profile. Our EMS Department now averages over 6,000 calls per annum compared to 2,979 calls in 2007. Plans to construct an additional EMS station in Bodden Town is priority to improve the response times of our ambulance in critical lifesaving situations. At Faith Hospital, we will begin moving on to the development of the two-storey ER & Radiology Facility.

We will continue growing our clinical services and technology including the expansion of services to the Smith Road Medical Centre which will house Primary Health Services, General Practice, Phlebotomy, Blood Bank, Radiology, Pharmacy, Cardiology, Sports Medicine and Microbiology. The expansion and improved access to these services will help to increase revenue and in the case of services such as Laboratory, reduce millions spent annually overseas.

Our pursuit of international accreditation is a signal to our patients that the HSA is committed to, and has undergone an exacting performance assessment. It provides evidence of compliance with a robust series of qualifications in patient safety and quality of care comparable with hospitals worldwide. Joint Commission International (JCI) accreditation is recognized as a global leader for healthcare quality and patient safety. The HSA’s laboratory facilities are already JCI accredited. We are now working to achieve full hospital accreditation through a resolute focus on Safety, Infection Control, and Medication Management.

We will be introducing our Executive Medical Premium Service to promote loyalty of the civil service and preventative care through comprehensive medical assessments and personalized preventive strategies for busy individuals.



Demand for mental health services has grown exponentially in all strata of the local population. Heightened concerns from mental health practitioners have highlighted the increasing incidences of mental health issues particularly amongst adolescents, and COVID-19 has not done us any favours in this area. Before the onset of the pandemic, scientific data was already reflecting higher rates of suicide attempts and behavioral issues in adolescence.

Physical and mental health are closely linked, people with severe and prolonged mental illnesses die on average 15 to 20 years earlier than other people, a situation that is preventable through appropriate care. As part of our strategy, the HSA will continue advancing the adolescent mental health hub, which is to be named the Alex Panton Adolescent Mental Health Centre as part of the Authority's collaboration with the Alex Panton Foundation in raising awareness of mental illnesses affecting children and young adults in the Cayman Islands with a particular focus on anxiety and depression. Meetings have been held with stakeholders and the Mental Health team regarding the layout to ensure the optimal facility design for the needs of this patient population and it is expected to be completed in the first half of the year.

The repair and expansion of areas on the main campus and investment in efficiencies will continue as we advance our master facility plan. Our newly installed solar panels will be fully utilized as we further embrace solar technology to reduce annual utility costs and redesigning of the main hospital atrium will help to improve patient experience and access to care.

Improving the profile of the HSA as an employer of choice will be paramount in 2022. Our Human Resources department will prioritize attracting and retaining staff by aligning compensation system with the civil service, developing structured succession planning, implementing an electronic platform for HR management, creating a mechanism to align training and career development, allowing flexible working arrangements, and establishing an HR presence in the Sister Islands.

We plan to modernize our website and promote service availability, as well as implement telemedicine in the Sister Islands as part of our efforts to increase utilization of technology to provide convenient online options for patients that enhance service delivery, effectiveness, and efficiency.



2022 STRATEGIC PRIORITIES



Effectively manage our financial resources



Improve patient experience across the continuum of care



Become the provider of choice for various services



Strengthen the HSA brand



Strengthen Primary Healthcare



Maintain & expand facilities to meet growing need



Attract & retain productive employees



Financial Statements

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

Summary of Performance

The 2021 operating performance resulted in a record net income of \$8.1 million. This result is a remarkable improvement over the operating net income of \$1.2 million recorded for 2020 and is even more remarkable in the context of COVID-19 which restricted hospital and clinic operations in several areas for portions of the year.

The fiscal year also closed with \$216.6 million in assets, an increase of \$41.2 million over 2020. This growth was largely seen in Accounts Receivable (\$31.9 million), Fixed Assets (\$25.1 million) and other receivables (\$18.9 million). The growth in assets was partially due to an asset revaluation exercise carried out at the end of 2021 and the positive operating performance for the fiscal year.

Cash decreased year on year by some \$38.8 million mainly due to an increase in operating receivables, investments in inventory, and investments in non-current asset.

Notably, an actuarial remeasurement of the post-retirement liabilities resulted in a decrease of some \$17.5 million for the healthcare portion, and a decrease of some \$3.7 million for the pension element. These remeasurement along with the positive financial performance improved the Authority's net deficit position by approximately \$55 million.

Operating Performance against budget

The approved operating budget for 2021 anticipated a net loss of some \$12.8 million based on revenue of \$131.1 million and operating expenses of \$143.9 million. Actual revenue for the year was approximately \$169.1 million led by patient services revenue, a special grant of \$28 million for the healthcare response to COVID-19, and some \$15.4 million in Government programmes.



Operating expenses for the year were \$161 million against a budget of \$143.9 million. Whilst the HSA recognized a \$3.3 million (3%) underspend for Personnel Costs, we had numerous unfavorable factors which created upward pressures on other areas of our operating expenses such as supplies and materials, and other operating expenses. Upward pressures on other operating expenses are largely related to pandemic response costs incurred by the organization and reimbursed by the central Government.

COVID-19 also created global supply shortages for numerous goods and supplies which necessitated the need to source items from Asia, Europe and the Americas at significantly increased prices and extensive shipping costs. This factor significantly impacted costs in several areas of operations.

Doubtful debt for the period was higher than the budget by some \$5.6 million. Collections of outstanding receivables from “self-pay” patients were suspended during the height of the COVID-19 pandemic out of sensitivity to our patients (some of which lost their jobs), lockdown restrictions, and other logistical issues. This suspension increased the age of our Accounts Receivable balance and, in accordance with our bad debt policy, resulted in a larger than anticipated bad debt provision.

Balance Sheet performance

Cash and cash equivalent closed at \$7.7 million for the year, some \$38.8 million less than 2020 and \$21 million less than the budget anticipated. This meant that the Authority did not meet its 90-day cash reserve requirement for 2021. The lower-than-expected cash largely resulted from unpaid services rendered on behalf of the Ministries of Health and Finance.

Management continues to engage with the relevant Ministries for the collection of outstanding balances. However, given the credit rating of the Government and its published state of affairs, management is confident that these balances will be recovered during the 2022 fiscal year.

The capital programme was stymied in 2020 resulting in an investment of \$2.5 million against fiscal plans that called for a spend of \$8 million. With restrictions relaxed in 2021 several projects deferred in the previous year was able to commence. This resulted in investments of \$15.3 million against a budget of \$10.5 million for 2021.

The Government currently budgets in 2-year cycles, therefore, the unspent portion of the capital budget from 2020 was partially utilized in 2021. The asset investment programme included the replacement of aging assets, facility upgrades and expansion, and further investment in technology.

Inventory balances of \$17.4 million at the close of the of the financial year represents substantial investments made in Personal Protective Equipment supplies, medical supplies, and other supplies related to the management of the COVID-19 pandemic.

The accrued amounts of \$17.9 million for expenses and Accounts Payable was \$5.4 million higher than the previous year and \$12.9 million higher than budget expectations. Whilst the Authority had sufficient cash and other liquid assets to timely settle its liabilities at the fiscal year end, a significant portion of the amounts shown as outstanding were invoices that were not presented until after the close of the period and will be settled early in 2022.

Our post-retirement obligations are fully recognized and carried on our balance sheet. This is not very common in other jurisdictions for public agencies and is not recognized in the financials of our central Government. Our end of year employee obligations for post-retirement was \$192.3 million following an actuarial remeasurement resulting in a decrease of some \$21.2 million.

The post-retirement health obligations do not represent an immediate cash requirement for the HSA as the accrued amount will be paid in future years as benefits mature and are paid out to, and on behalf of employees. Notwithstanding, the size of the obligation does present concerns for management as it has effectively relegated the net-worth position to a deficit of \$8.1 million.

Management plans to address this net deficit position through future surpluses and additional equity investments by the Cayman Islands Government who is the 100% shareholder of the Authority.

Financial Statements of

**CAYMAN ISLANDS HEALTH
SERVICES AUTHORITY**

31 December 2021

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

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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 Act (2020 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 Act (2020 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 Chief 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 2021.

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

- (a) completely and reliably reflect the financial transactions of Health Authority for the year ended 31 December 2021;
- (b) fairly reflect the financial position as at 31 December 2021 and comprehensive income for the year ended 31 December 2021; and
- (c) comply with the provisions of the *Public Management and Finance Act (2020 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

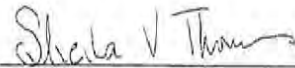
Date: 30 April 2022



Osbourne Bodden

Chairman

Date: 30 April 2022



Sheila Thomas

Chief Financial Officer

Date: 30 April 2022

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 2021 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2021, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 11 to 59.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Cayman Islands Health Services Authority as at 31 December 2021 and its financial performance and its cash flows for the year ended 31 December 2021 in accordance with International Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (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 Matters

I draw attention to note 24 of the financial statements, which states that the recognition of post-retirement health liability resulted in a net liability of \$8.13 million in the statement of financial position. 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.

As outlined in note 21(c) of the financial statements, *The Public Authorities Act (2020 Revision)*, Section 47 - *Terms and conditions and remuneration of staff* came into effect at 1 June 2019 and required all Statutory Authorities and Government Companies to comply with its requirements to standardize salaries and benefits. At the date of this report, the process to complete this standardization has not been completed. Our 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 and fair presentation 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.

AUDITOR GENERAL'S REPORT (continued)

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

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 professional judgment and maintain professional skepticism 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 Act (2020 Revision)* and Section 24(1) of the *Health Services Authority Act (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 2022
Cayman Islands

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Statement of Financial Position

As at 31 December 2021

(stated in Cayman Islands dollars)

	Note	December 31, 2021	Budget	December 31, 2020
Current assets				
Cash and cash equivalents	4	7,778,638	28,758,540	\$46,527,507
Accounts receivable - net	5	57,572,222	27,729,369	25,682,776
Other receivables - net	6	22,405,801	57,093	3,555,382
Inventory - net	7	17,411,181	5,693,908	15,026,443
Advances to suppliers	8	3,015,909	387,656	3,066,495
Prepaid expenses		43,741	-	171,646
Total current assets		108,227,492	62,626,566	94,030,249
Non-current assets				
Fixed assets	8	103,930,059	89,503,837	78,890,270
Right-of-use assets	9	4,464,977	-	2,504,792
Total Non-current assets		108,395,036	89,503,837	81,395,062
Total assets		216,622,528	152,130,403	175,425,311
Current liabilities				
Accounts payable and accrued expenses	10	17,955,396	5,089,355	12,581,236
Lease liability	9	931,213	-	531,682
Total current liabilities		18,886,609	5,089,355	13,112,918
Non-current liabilities				
Unfunded employee healthcare benefits, net	19	192,306,000	173,296,000	209,820,000
Employee pension benefits, net	18	9,846,000	10,036,000	13,550,000
Lease liability	9	3,711,277	-	2,119,027
Total non-current liabilities		205,863,277	183,332,000	225,489,027
Total liabilities		224,749,886	188,421,355	238,601,945
Net liabilities		(8,127,358)	(36,290,952)	(63,176,634)
Represented by:				
Contributed capital		141,983,402	140,805,201	141,983,402
Accumulated deficit		(201,223,062)	(204,678,692)	(209,285,574)
Other comprehensive income		8,311,000	-	(23,457,000)
Asset revaluation		42,801,301	27,582,539	27,582,538
Net deficit		(\$8,127,359)	(\$36,290,953)	(\$63,176,634)

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Statement of Comprehensive Income

For the year ended 31 December 2021
(stated in Cayman Islands dollars)

	Note	December 31, 2021	Budget	December 31, 2020
Revenue				
Patient services fees	11	124,233,113	113,687,486	\$107,969,357
Government programme	12	15,417,290	16,266,615	16,200,689
Other income	13	29,423,354	1,127,438	21,256,056
		169,073,757	131,081,539	145,426,102
Operating expenses				
Staff costs	14	93,663,621	96,921,858	89,321,091
Supplies and materials	15	22,440,576	18,367,693	19,028,993
Other operating expense	16	20,018,683	9,480,322	14,771,884
Provision for doubtful debts	5, 6	11,241,190	5,684,374	9,585,372
Depreciation	8, 9	6,461,268	4,145,382	4,322,461
Utilities		2,847,370	3,439,003	3,088,242
Legal and professional fees	17	1,141,127	1,689,253	1,354,328
Insurance		1,700,753	2,683,562	1,669,979
Security services		863,659	-	667,083
Travel and subsistence		272,130	605,896	245,422
Training		174,800	405,300	149,851
Reference materials		37,410	133,066	70,212
Inventory adjustment	7	148,658	317,982	(60,546)
		161,011,245	143,873,691	144,214,372
Net income (loss) for the year		8,062,512	(12,792,152)	1,211,730
Other comprehensive income				
Revaluation surplus on land and building	8	15,218,763	-	-
Re-measurement of defined pension benefit	18	4,469,000	-	(3,696,000)
Re-measurement of defined healthcare benefit	19	27,299,000	-	(31,526,000)
		46,986,763	-	(35,222,000)
Total comprehensive income/(loss) for the year		\$55,049,275	(\$12,792,152)	(\$34,010,270)

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Statement of Changes in Equity

For the year ended 31 December 2021
(stated in Cayman Islands dollars)

	Note	Contributed capital	Accumulated deficit	Other comprehensive (loss) income	Asset revaluation	Total
Balance, 31 December 2019		\$140,805,201	(\$210,497,304)	\$11,765,000	\$27,582,538	(30,344,565)
Net income for the year		-	1,211,730	-	-	1,211,730
Other comprehensive loss for the year		-	-	(35,222,000)	-	(35,222,000)
Capital contribution during the year	22	1,178,201	-	-	-	1,178,201
Balance, 31 December 2020		141,983,402	(209,285,574)	(23,457,000)	27,582,538	(\$63,176,634)
Net income for the year		-	8,062,512	-	-	8,062,512
Other comprehensive loss for the year		-	-	31,768,000	15,218,763	46,986,763
Capital contribution during the year	22	-	-	-	-	-
Balance, 31 December 2021		\$141,983,402	(\$201,223,062)	\$8,311,000	\$42,801,301	(\$8,127,359)

See accompanying notes to financial statements.

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Statement of Cash Flows

For the year ended 31 December 2021
(stated in Cayman Islands dollars)

	Note	December 31, 2021	Budget	December 31, 2020
Cash provided by/(applied in):				
Operating activities				
Net income (loss) for the year		8,062,512	(12,792,154)	1,211,730
Add item not affecting working capital:				
Provision for doubtful debts	5, 6	11,241,190		9,585,372
Depreciation	8, 9	6,461,268	4,145,382	4,322,461
Inventory (write-up) write-downs	7	148,658	317,982	(60,546)
Gain on asset revaluation		(934,025)		
Net changes in non-cash working capital balances relating to operations:				
Accounts receivable, net, (increase)		(43,130,636)		(16,063,701)
Other receivables, (increase) decrease		(18,850,419)		(1,810,244)
Inventory, net, (increase) decrease		(2,533,396)		(8,011,959)
Advances to suppliers, (increase) decrease		50,586		(1,802,606)
Prepaid expenses, (increase) decrease		127,905		(126,854)
Accounts payable and accrued expenses, increase (decrease)		5,374,160	9,171,050	6,082,917
Right of use asset, (increase) decrease		(1,960,185)		(471,838)
Lease Liability, increase (decrease)		1,592,250		315,632
Employee pension benefits, net, increase (decrease)	18	765,000		1,742,000
Employee healthcare benefits, net, increase (decrease)	19	9,785,000	-	10,993,000
Net cash generated from operating activities		(23,800,132)	842,260	5,905,364
Investing activities				
Cost of fixed assets purchased	8	(15,348,269)	(10,500,000)	(6,707,506)
Short-term investments		-	-	5,063,674
Net cash provided by (used in) investing activities		(15,348,269)	(10,500,000)	(1,643,832)
Financing activities				
Capital contributions		-	-	1,178,201
Finance interest on Operating Leases	9	(119,722)	-	78,424
Lease Liabilities - Long-term, (decrease) increase	9	519,253	-	(320,399)
Net cash used in financing activities		399,531	-	936,226
Increase (Decrease) in cash during the year		(38,748,870)	(9,657,740)	5,197,758
Cash and cash equivalents at beginning of year		46,527,507	38,416,280	41,329,749
Cash and cash equivalents at end of year		7,778,637	\$28,758,540	\$46,527,507
Operating Cash Flows from Interests				
Interest received		27,778	-	14,403

See accompanying notes to financial statements.

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Notes to financial statements

For the year ended 31 December 2021

(stated in Cayman Islands dollars)

1. Background information

The Cayman Islands Health Services Authority (the “Health Authority”) is a statutory body established on 1 July 2002 under the Health Services Authority Act. 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.

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Notes to financial statements

For the year ended 31 December 2021
(stated in Cayman Islands dollars)

2. Adoption of new and revised Standards

A) Relevant standards and amendments that are effective 1 January 2021:

Interest Rate Benchmark Reform — Phase 2 (*Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*)-Effective January 1, 2021:

The amendments affect entities with financial assets, financial liabilities or lease liabilities that are subject to interest rate benchmark reform and those that apply the hedge accounting requirements in *IFRS 9* or *IAS 39* to hedging relationships that are affected by the reform.

These amendments do not have a material impact on the financial statements of the Health Authority as it does not have any interest hedge relationships or subject to interest rate benchmark reform.

B) Relevant standards and amendments issued prior to 1 January 2021 but not effective until future periods and are predicted to have an impact on Health Authority:

Certain new accounting standards have been published that are not mandatory for the 31 December 2021 reporting period and have not been early adopted by the Health Authority. The Health Authority's assessment of the impact of these new standards is set out below:

- (i) *IAS 1 – Classification of Liabilities as Current or Non-current (including Amendment to IAS 1 – Classification of Liabilities as Current or Non-current (Effective for annual periods beginning on or after 1 January 2023))*

In January 2020, the IASB issued amendments to IAS 1 which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. It is anticipated that IAS 1 will not have a significant impact on the Health Authority's financial statements. This will be assessed more fully closer to the effective date of adoption.

- (ii) *IFRS 17 Insurance Contracts and Amendments (Effective for annual periods beginning on or after 1 January 2023)*

In June 2020, the IASB issued amendments to IFRS 17 which creates one accounting model for all insurance contracts in all jurisdictions that apply IFRS. IFRS 17 requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and take into account any uncertainty relating to insurance contracts. The financial statements of an entity will reflect the time value of money in estimated payments required to settle incurred claims. Insurance contracts are required to be measured based only on the obligations created by the contracts and an entity will be required to recognize profits as an insurance service is delivered, rather than on receipt of premiums. It is anticipated that IFRS 17 will not have a significant impact on the Health Authority's financial statements. This will be assessed more fully closer to the effective date of adoption.

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Notes to financial statements

For the year ended 31 December 2021
(stated in Cayman Islands dollars)

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 revaluation of land and buildings [see (d) below] and (2) employee benefits [see (l) below]. The financial statements are presented in Cayman Islands Dollars (CI\$) and are prepared on the accrual basis of accounting, unless otherwise stated. The statements are rounded to the nearest dollar except otherwise stated.

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.

(b) Use of estimates

The preparation of financial statements in accordance with International Financial Reporting Standards (IFRS Standards) 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.

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Notes to financial statements

For the year ended 31 December 2021

(stated in Cayman Islands dollars)

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Financial assets (continued)

Initial recognition and measurement (continued)

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Health 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 Health Authority's business model for managing financial assets refers to how it manages its financial assets 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 marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Health 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

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.

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Notes to financial statements

For the year ended 31 December 2021

(stated in Cayman Islands dollars)

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Financial assets (continued)

Derecognition

The Health 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 Health Authority has transferred substantially all the risks and rewards of the asset, or (b) the Health 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 Health 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.

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Notes to financial statements

For the year ended 31 December 2021

(stated 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.

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 expired. 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 comprehensive income.

(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 recognized in the Statement of Changes in Equity, 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.

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Notes to financial statements

For the year ended 31 December 2021

(stated in Cayman Islands dollars)

3. Significant accounting policies (continued)

(d) Fixed assets and depreciation (continued)

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.

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.

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Notes to financial statements

For the year ended 31 December 2021

(stated in Cayman Islands dollars)

3. Significant accounting policies (continued)

(d) Fixed assets and depreciation (continued)

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	up to 60 years
Medical equipment	8 – 20 years
Other fixed assets	3 – 20 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) Leases

(a) The Health Authority assesses whether a contract is or contains a lease, at inception of the contract. The right-of-use asset and a corresponding lease liability is recognised with respect to all lease arrangements in which the Health Authority is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (defined as any monthly lease payment \$5,000 or less). For these leases, the lease payments are recognised as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the organization's incremental borrowing rate is used (US prime rate + 0.25%).

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.
- The amount expected to be payable by the lessee under residual value guarantees.
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Notes to financial statements

For the year ended 31 December 2021
(stated in Cayman Islands dollars)

3. Significant accounting policies (continued)

(e) Leases (continued)

- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

No such adjustments were made during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever an obligation is incurred for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Notes to financial statements

For the year ended 31 December 2021
(stated in Cayman Islands dollars)

3. Significant accounting policies (continued)

(e) Leases (continued)

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the organization expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

IAS 36 is applied to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other expenses" in profit or loss (see Note 16).

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement.

The Health Authority has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Health Authority has allocated the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(f) Impairment

The carrying amount of the Health Authority's assets other than inventory (see Note 3(j)) 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.

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Notes to financial statements

For the year ended 31 December 2021

(stated in Cayman Islands dollars)

3. Significant accounting policies (continued)

(g) 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.

(h) 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.

(i) 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.

(j) 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 Health 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 Health 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. Grants received or receivable in recognition of specific expenses are recognized in the statement of comprehensive income in the period received.

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Notes to financial statements

For the year ended 31 December 2021
(stated in Cayman Islands dollars)

3. Significant accounting policies (continued)

(k) *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 \$7,306,875 (2020: \$5,821,470). 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.

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.

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Notes to financial statements

For the year ended 31 December 2021

(stated in Cayman Islands dollars)

3. Significant accounting policies (continued)

(k) Employee benefits (continued)

Defined benefit plans (continued)

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.

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.

(l) 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, considering 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.

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Notes to financial statements

For the year ended 31 December 2021
(stated in Cayman Islands dollars)

4. Cash and cash equivalents

	2021	2020
Petty cash	\$ 9,900	\$ 9,500
Bank accounts	7,768,738	46,518,007
	<u>\$ 7,778,638</u>	<u>\$ 46,527,507</u>

The Health Authority has an unsecured bank overdraft in the amount of \$4 million with CIBC FirstCaribbean International Bank (Cayman) Ltd. ("CIBC") as 31 December 2021. The amount utilized was nil (20: nil).

5. Accounts receivable - net

	2021	2020
Gross accounts receivable	\$ 79,336,759	\$ 41,341,744
Allowance for doubtful debts	(21,764,537)	(15,658,968)
	<u>\$ 57,572,222</u>	<u>\$ 25,682,776</u>

Allowance for doubtful debts movement:

	2021	2020
Balance at beginning of the year	\$ 15,658,968	\$ 9,285,661
Additional provisions	11,241,190	9,472,782
Additional contractual adjustments	2,214,325	2,000,922
Write-offs	(7,349,946)	(5,100,397)
	<u>\$ 21,764,537</u>	<u>\$ 15,658,968</u>

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Notes to financial statements

For the year ended 31 December 2021
(stated in Cayman Islands dollars)

5. Accounts receivable – net (continued)

Below is the aging profile of accounts receivable as at 31 December 2021 and 31 December 2020:

	2021	2020
1 - 30 days	\$ 19,068,326	\$ 13,127,438
31 - 90 days	14,728,229	8,494,260
91 - 365 days	23,173,955	12,831,255
Over 365 days	22,366,250	6,888,791
	\$ 79,336,759	\$ 41,341,744

6. Other receivables - net

	2021	2020
Cabinet receivable	\$ 20,708,492	\$ 2,537,507
Other accounts receivable	1,570,652	1,251,996
Salary advance	126,658	73,726
	22,405,801	3,863,229
Less allowance for doubtful debts	-	307,847
	\$ 22,405,801	\$ 3,555,382

Allowance for doubtful debts movement:

	2021	2020
Balance at beginning of the year	\$ 307,847	\$ 195,257
Additional provisions (recovery)	-	112,590
Additional contractual adjustments (Note 3(1))	5,877,629	5,821,470
Write-offs	(6,185,476)	(5,821,470)
	\$ -	\$ 307,847

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.

The Other Accounts Receivable balance related to health services provided to Health Authority employees and their dependents are 100 percent provided for further to adjudication by British Caymanian. Additional disclosure is presented as part of Note 14 - Staff Costs.

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Notes to financial statements

For the year ended 31 December 2021
(stated in Cayman Islands dollars)

6. Other receivables – net (continued)

The cabinet receivables pertains to receivables from Ministry of Finance and Ministry of Health for the COVID-19 related reimbursements and output programme, respectively.

7. Inventory – net

	2021	2020
Pharmaceutical supplies	\$ 6,640,413	\$ 4,763,573
Medical supplies	11,307,696	10,293,367
Other supplies	-	525,551
	17,948,109	15,582,491
Less allowance for inventory impairment	536,928	556,048
	\$ 17,411,181	\$ 15,026,443

The cost of inventories recognized as operating expenses during the year was \$21,721,881 (2020: \$19,028,993).

The inventory adjustment presented in the Statement of comprehensive income for the year ended 31 December 2021 amounts to \$148,658 (2020: (\$60,545)) and this represent the write-off for expired drugs and inventory adjustments following the year end count.

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Notes to financial statements

For the year ended 31 December 2021

(stated in Cayman Islands dollars)

8. Fixed assets

For the year ended 31 December 2021	Land	Building	Medical equipment	Computer Hardware and Software	Construction in Progress	Other assets	Total
Cost:							
At beginning of the year	\$ 8,298,000	\$ 66,935,029	\$ 21,509,106	\$ 9,932,893	\$ 1,751,388	\$ 8,521,346	\$ 116,947,762
Additions during the year	-	6,448,123	3,289,596	718,044	2,552,933	1,618,115	14,626,810
Disposals during the year	-	-	(204,131)	(4,453)	-	(225,810)	(434,394)
Transfer	2,780,000	(2,780,000)	-	-	-	-	-
Revaluation adjustment	5,015,000	3,687,970	-	-	-	-	8,702,970
At end of the year	16,093,000	74,291,122	24,594,571	10,646,484	4,304,321	9,913,651	139,843,147
Accumulated depreciation:							
At beginning of the year	-	7,449,742	16,131,446	9,045,544	-	5,430,760	38,057,492
Charge for the year	-	3,555,013	1,155,921	407,466	-	621,197	5,739,597
Disposals during the year	-	-	(204,131)	(4,453)	-	(225,675)	(434,259)
Revaluation adjustment	-	(7,449,742)	-	-	-	-	(7,449,742)
At end of the year	-	3,555,013	17,083,236	9,448,557	-	5,826,282	35,913,089
Carrying value:							
At 31 December 2021	\$ 16,093,000	\$ 70,736,108	\$ 7,511,335	\$ 1,197,926	\$ 4,304,321	\$ 4,087,369	\$ 103,930,059

For the year ended 31 December 2020	Land	Building	Medical equipment	Computer Hardware and Software	Construction in Progress	Other assets	Total
Cost:							
At beginning of the year	\$ 8,298,000	\$ 64,849,985	\$ 19,117,219	\$ 9,636,333	\$ 583,069	\$ 7,929,179	\$ 110,413,785
Additions during the year	-	2,085,044	2,449,850	328,546	1,229,708	614,358	6,707,506
Disposals during the year	-	-	(57,963)	(31,986)	(61,389)	(22,191)	(173,529)
At end of the year	8,298,000	66,935,029	21,509,106	9,932,893	1,751,388	8,521,346	116,947,762
Accumulated depreciation:							
At beginning of the year	-	5,625,131	15,176,952	8,624,259	-	4,948,335	34,374,677
Charge for the year	-	1,824,611	1,012,457	453,100	-	566,176	3,856,344
Disposals during the year	-	-	(57,963)	(31,815)	-	(83,751)	(173,529)
At end of the year	-	7,449,742	16,131,446	9,045,544	-	5,430,760	38,057,492
Carrying value:							
At 31 December 2020	\$ 8,298,000	\$ 59,485,287	\$ 3,377,660	\$ 887,349	\$ 1,751,388	\$ 3,090,586	\$ 78,890,270

Included in other fixed assets are furniture & fittings, motor vehicles and office equipment.

The transfer from building to land relates to land, valued at \$2.8m that was initially classified as building in the prior period consistent with information available as at the date of recognition. Management has assessed the impact on depreciation to be immaterial.

The Health Services Authority has advances to suppliers for fixed assets that are yet to be delivered as at December 31, 2021 which amounted to \$3,015,909 (2020: \$3,066,495).

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

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For the year ended 31 December 2021
(stated in Cayman Islands dollars)

8. Fixed assets (continued)

Under the Health Services Authority Act, the Cayman Islands Government vested various health care facilities in the Cayman Islands into the Health Services Authority. These properties were valued on 1 January 2001, 17 June 2011, 5 July 2016 and 1 January 2021, by the BCQS International, JEC Property Consultants and DDL Studio Ltd., an independent appraiser, respectively on depreciated replacement cost basis. The next valuation is scheduled for January 2026. The net increase in the carrying amount of land and buildings as a result of the revaluation was \$16,152,562. Out of this amount, \$15,218,537 was recognised in other comprehensive income and the remaining \$934,025 was recognised as income to reverse revaluation decreases previously recognised.

9. Leases

This note provides information for leases where the Health Authority is a lessee.

(i) Amounts recognised in the statement of financial position

	2021	2020
Right-of-use assets:		
Buildings	\$ 4,464,977	\$ 2,504,792
Equipment	-	-
Total	\$ 4,464,977	\$ 2,504,792
Lease Liability		
Current	931,213	531,682
Non-Current	3,711,277	2,119,027
Total	\$ 4,642,490	\$ 2,650,709

(ii) Amounts recognised in the statement of comprehensive income

The depreciation expense on statement of comprehensive income includes the following amounts relating to leases:

	2021	2020
Depreciation charge of right-of-use assets		
Buildings	\$ 721,244	\$ 466,117
Equipment	-	-
	\$ 721,244	\$ 466,117

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Notes to financial statements

For the year ended 31 December 2021

(stated in Cayman Islands dollars)

9. Leases (continued)

Interest Expense relating to the finance cost portion of the lease liability is \$119,722, (2020: \$78,424). Expense relating to short-term leases and leases of low-value assets that are not shown above are included in other operating expenses. The total cash outflow for leases in 2021 was \$1,196,070 (2020: \$471,093).

(iii) The Health Authority's leasing activities and how these are accounted for

The Health Authority has lease contracts for various offices, and equipment used in its operations. Leases contracts are typically made for fixed periods of 6 months to 5 years but may have an extension option as described in (iv) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of buildings and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Health Authority.

The Health Authority also has certain leases of buildings and equipment with lease terms of 12 months or less and with low value. The Health Authority applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

(iv) Extension and termination options are included in several property and equipment leases across the Health Authority. These are used to maximise operational flexibility in terms of managing the assets used in the Health Authority's operations. Most of the extension and termination options held are exercisable only by the Health Authority and not by the respective lessor.

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Notes to financial statements

For the year ended 31 December 2021
(stated in Cayman Islands dollars)

10. Accounts payable and accrued expenses

	2021	2020
Accounts payable	\$ (18,392)	\$ (1,047)
Accrued expenses	7,580,198	6,991,012
Other payable	9,650,210	4,172,689
Employee benefits (Note 3(1))	743,380	1,418,582
	\$ 17,955,396	\$ 12,581,236

11. Patient services fees

	2021	2020
Fees from the rendering of services-net	\$ 93,881,526	\$ 91,625,113
Fees from sale of goods	30,351,587	16,344,244
	\$ 124,233,113	\$ 107,969,357

Patient services fees include fees earned from medical care for 'beyond insurance coverage', indigent, and other services sold to the Government under a Purchase Agreement.

The Health Authority recorded a shortfall on the indigent output in the amount of \$10,754,127 (2020: \$10,846,644). This was ultimately funded through Segregated Insurance Fund (SIF) in the amount of \$4,500,000 (2020: \$4,500,000). The remaining amount will be funded through supplement request to Cabinet. Also, an additional shortfall in the amount of \$5,014,048 (2020: 7,440,877) was noted on the outputs for Un-Insured Children, Underinsured Pregnant Women and Prenatal Care, Under-Insured Caymanians, Geriatric Services, Public Health Communicable Diseases, and Medical Care for Chronic Ailments.

Fees from the rendering of service-net represent fees from all patient services provided (other than those sold to the Government under the Purchase Agreement), net of medical benefit of employees and their dependents provided by the Health Authority.

Fees from sale of goods are derived from the sale of drugs at pharmacy stores, district clinics, wards, and all other locations.

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For the year ended 31 December 2021
(stated in Cayman Islands dollars)

12. Government programmes

	2021	2020
Faith Hospital	\$ 3,783,158	\$ 3,783,158
Mental Health	3,481,204	3,481,204
Ambulance	2,547,293	2,547,293
District Clinics	2,242,947	2,242,947
Public Health	1,353,576	1,353,576
Special Needs	901,660	901,660
School Health	818,785	818,785
COVID-19 Contingency	-	783,399
Medical Internship	150,000	150,000
Child Abuse Program	100,000	100,000
Cancer Registrar	38,667	38,667
	\$ 15,417,290	\$ 16,200,689

The amount reported as government programmes as stated above had no budget shortfall for both years ended 31 December 2021 and 31 December 2020.

The COVID-19 Output was approved by Cabinet in February 2020 in order to fund contingency planning for the pandemic. This was funded by the Ministry of Health.

13. Other Income

	2021	2020
Grant from Shareholder	\$ 27,996,479	\$ 19,275,850
Other Income - general	1,426,875	1,980,206
	\$ 29,423,354	\$ 21,256,056

The amounts shown above for Grant from Shareholder represent funding received from the Cayman Islands Government to cover the rendering of services required of the Health Authority, further to the COVID-19 pandemic.

As Public Health demands on the Health Authority's service to combat COVID implications increased, the Health Authority paid for the cost of emergency supplies, medical services, testing, setup of a temporary field hospital, equipment, additional staffing, etc. These costs were reimbursed to the Health Authority by CIG, which they have recorded as a Grant reflected above.

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Notes to financial statements

For the year ended 31 December 2021
(stated in Cayman Islands dollars)

14. Staff costs

	2021	2020
Salaries & Wages (including overtime)	\$ 68,934,204	\$ 65,056,365
Health Care - Overseas/Local	4,921,133	4,030,183
Pension Contribution	3,995,962	3,506,759
Allowances	3,464,289	3,153,130
Other Staff costs	1,798,034	839,654
Defined Benefit Healthcare and Pension, net of re-measurement (Notes 19 & 20)	10,550,000	12,735,000
	\$ 93,663,621	\$ 89,321,091

The Health Authority employees and their dependants receive free medical benefits within the Authority's facilities and is valued at \$7,306,875 (31 December 2020: \$5,821,470), as discussed in Note 3(l) this is netted against revenue. The total health care cost of employees and their dependants amounts to \$12,228,008 (2020: \$9,851,653) excluding the unfunded defined benefit portion of healthcare cost for current and future retirees.

15. Supplies and materials

	2021	2020
Pharmaceuticals	\$ 13,131,498	\$ 11,289,116
Medical, dental and health supplies	5,460,433	4,396,715
Laboratory supplies	2,315,277	1,900,277
Cleaning supplies	591,692	451,531
Food and dietary	235,896	231,460
Attractive assets	90,150	189,169
Primary Health vaccines	100,821	182,572
Office consumables	193,151	162,847
Vehicle and maintenance supplies	149,224	120,542
Other supplies	172,434	104,764
	\$ 22,440,576	\$ 19,028,993

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Notes to financial statements

For the year ended 31 December 2021

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15. Supplies and materials (continued)

Supplies and materials relate to inventory supplies used during the year. It also includes attractive assets which are small assets that do not meet the Health Authority's minimum cost for capitalisation. Due to their nature and vulnerability to loss, attractive assets are expensed when purchased.

16. Operating activities expenses

	2021	2020
COVID-19 expenditures	\$ 12,863,675	\$ 7,969,152
Repairs and maintenance	1,357,886	1,248,563
Software licensing fees	1,905,048	1,954,092
Overseas laboratory tests	1,410,192	1,172,038
Freight and shipping	1,010,320	460,950
Leases and Common Area Maintenance	1,176,400	888,035
Mail courier services	240,242	196,775
Public relations and publicity	243,105	171,900
Contracted Services	140,243	148,764
Advertising	199,102	148,217
Miscellaneous medical expenses	123,636	127,613
Bank charges	143,396	89,085
Finance charges	78,423	78,424
Computer maintenance	131,050	67,734
Gain on reversal of revaluation loss	(934,025)	-
Miscellaneous	204,699	286,816
Exchange rate net gain	(274,709)	(236,274)
	\$ 20,018,683	\$ 14,358,486

17. Legal and professional fees

	2021	2020
Professional fees	\$ 853,488	\$ 797,231
Legal fees	122,539	426,825
Audit services	164,000	130,372
Others	1,100	(100)
	\$ 1,141,127	\$ 1,354,328

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Notes to financial statements

For the year ended 31 December 2021

(stated in Cayman Islands dollars)

18. 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.

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Notes to financial statements

For the year ended 31 December 2021
(stated in Cayman Islands dollars)

18. 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 performed as of 31 December 2021 by the PSPB indicated a plan deficit attributable to the Health Authority of \$9,846,000 (2020: \$13,550,000).

Pension Expense and Reconciliation of Defined Pension Liability

	<u>31.12.21</u>	<u>31.12.20</u>
	<u>CIS(000)</u>	<u>CIS(000)</u>
Provision at the beginning of the year	\$ 13,550	\$ 8,112
Pension expense of the year	(3,036)	5,801
Employer contributions	(668)	(363)
	<u>\$ 9,846</u>	<u>\$ 13,550</u>

Reconciliation of Funded Status:

Company's share of defined benefit obligation	25,105	27,094
Less: Fair value of plan assets	(15,259)	(13,544)
Defined benefit liability	<u>\$ 9,846</u>	<u>\$ 13,550</u>

Components of Defined Benefit Cost for the year:

Current service cost	1,143	880
Total net interest cost	290	246
Defined benefit cost included in P&L	<u>1,433</u>	<u>1,126</u>

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Notes to financial statements

For the year ended 31 December 2021
(stated in Cayman Islands dollars)

18. Employee pension benefits, net (continued)

(a) Defined Benefit Plan (continued)

	<u>31.12.21</u> CIS(000)	<u>31.12.20</u> CIS(000)
Remeasurement Included in Other Comprehensive Income (OCI):		
Demographic assumptions change	71	(663)
Financial assumptions change	(1,596)	4,731
Experience adjustments	(1,488)	1,038
Return on plan asset (excluding interest)	(1,456)	(1,410)
Total remeasurement included in OCI	(4,469)	3,696
Pension Expense for the year	(3,036)	4,822

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

	<u>31.12.21</u> CIS(000)	<u>31.12.19</u> CIS(000)
Fair value of plan assets at beginning of year (negative)	13,544	12,443
Interest income	306	401
Cash flows		
Employer and participant contributions	882	580
Benefit payments from plan	(446)	(104)
Transfers between other participating employers	(483)	(207)
Other significant event – decrease due to the effect of any business combinations/divestitures/transfers	-	(979)
Remeasurements – return on plan assets (excluding interest income)		
Fair value of plan assets at end of year (negative)	1,456	1,410

The defined benefit liability reconciliation is as follows:

	<u>31.12.21</u> CIS(000)	<u>31.12.20</u> CIS(000)
Defined benefit obligation at beginning of year	27,094	20,555
Current service cost	1,143	880
Interest expense	596	647
Effect of changes in demographic assumptions	71	(663)
Effect of changes in financial assumptions	(1,596)	4,731
Effect of changes in experience adjustments	(1,488)	1,038
Cash flows	(715)	(94)
Defined benefit obligation at end of year	25,105	27,094

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Notes to financial statements

For the year ended 31 December 2021
(stated in Cayman Islands dollars)

18. Employee pension benefits, net (continued)

(a) Defined Benefit Plan (continued)

The sensitivity analysis on defined benefit obligation is shown below:

	<u>31.12.21</u>	<u>31.12.20</u>
1. Discount rate		
a. Discount rate - 25 basis points	26,425	28,647
b. Discount rate + 25 basis points	23,876	25,653
2. Inflation rate		
a. Inflation rate - 25 basis points	23,938	25,672
b. Inflation rate + 25 basis points	26,349	28,618
3. Mortality		
a. Mortality - 10% of current rates	25,774	27,883
b. Mortality +10% of current rates	24,499	26,382

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

	<u>31.12.21</u>	<u>31.12.20</u>
	<u>\$000</u>	<u>\$000</u>
Expected employer contributions	526	513

The significant actuarial assumptions are presented below:

<i>Weighted-average assumptions to determine benefit obligations</i>	<u>31.12.21</u>	<u>31.12.20</u>
1. Discount rate	2.90%	2.60%
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-2021	RP-2014 scaled back to 2006 using Scale MP-2014 then generationally projected using Scale MP-2020
6. Cost Method	Projected Unit Credit	Projected Unit Credit
7. Asset valuation method	Market Value	Market Value

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Notes to financial statements

For the year ended 31 December 2021

(stated in Cayman Islands dollars)

18. Employee pension benefits, net (continued)

(a) Defined Benefit Plan (continued)

Weighted-average assumptions to determine defined benefit cost	31.12.21	31.12.20
1. Discount rate used to determine:		
Current service cost	2.70%	3.60%
Interest on current service cost	2.50%	3.40%
Net interest cost	2.20%	3.15%
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 from 2006 using Scale MP-2020	RP-2014 scaled back to 2006 using Scale MP-2014 then generationally projected from 2006 using Scale MP-2019

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, 2021 to December 31, 2021, was 13.02% per annum (2020: 15.61%). 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 2021 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 2021 and 31 December 2020, the Fund was invested as follows:

	31.12.21		31.12.20	
Plan Assets by Asset Category	(\$000)	Percentage	(\$000)	Percentage
Global equities securities	945,780	82%	816,513	82%
Debt securities	190,942	17%	177,719	18%
Cash	7,275	1%	3,398	0%
Total	1,143,997	100%	997,630	100%

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Notes to financial statements

For the year ended 31 December 2021

(stated in Cayman Islands dollars)

18. 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 \$13,529,000 as at 31 December 2021 (2020: \$13,544,000).

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 2021 and 31 December 2020 are shown in the table below.

Measurement Date	31.12.21	31.12.20
Discount rate		
- BOY disclosure and current year expense	3.60% per year	3.50% per year
- EOY disclosure	2.90% per year	2.60% per year
- Following year current service cost	2.95% per year	2.70% 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-2020	RP-2014 scaled back to 2006 using Scale MP-2014 then generationally projected from 2006 using Scale MP-2019
- EOY disclosure and following year expense	RP-2014 scaled back to 2006 using Scale MP-2014 then generationally projected from 2006 using Scale MP-2021	RP-2014 scaled back to 2006 using Scale MP-2014 then generationally projected from 2006 using Scale MP-2020
Disability	None	None
Turnover Rates	Age related table	Age related table

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18. Employee pension benefits, net (continued)

(a) *Defined Benefit Plan (continued)*

Measurement Date	31.12.21	31.12.20
Retirement	Age-related retirement used. See table below	<i>Age-related retirement used. See table below</i>
Assumed life expectations on retirement	Retiring today (member age 57): 28.61 Retiring in 25 years (at age 57): 30.75	<i>Retiring today (member age 57): 28.45 Retiring in 25 years (at age 57): 30.61</i>
Liability Cost Method	Projected unit credit method	<i>Projected unit credit method</i>
Asset Value Method	Market Value of Assets	<i>Market Value of Assets</i>
Commutation of pension	All members commute 25% at retirement	<i>All members commute 25% at retirement</i>

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	
Below 55	0%
55-59	8%
60-64	15%
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.

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Notes to financial statements

For the year ended 31 December 2021
(stated in Cayman Islands dollars)

18. Employee pension benefits, net (continued)

(a) *Defined Benefit Plan (continued)*

Participant Data

The defined benefit obligation at 31 December 2021 of the Health Authority as it relates to its participation in the Plan is based on the member data as at 30 October 2021 (60 active members). The data was updated from that used for the calculation of the defined benefit obligation as at 31 December 2020 (30 September 2020: 61 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 2021 is 962 (2020: 901).

During the year ended 31 December 2021, the Authority and its employees contributed to the fund 6% and 6%, respectively (2020: 6% and 6%, respectively).

The total amount recognised as a pension expense for the year ended 31 December 2021, inclusive of both defined benefit and defined contribution parts, was \$4,760,624 (2020: \$5,010,759).

19. 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.

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

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19. 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 1 November 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 \$192,306,000 as at 31 December 2021 (2020: \$209,820,000). 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 \$192,306,000 is currently unfunded. Management's plan to address this unfunded post-retirement health liability is discussed in Note 25.

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Notes to financial statements

For the year ended 31 December 2021
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19. Employee healthcare benefits, net (continued)

Disclosure Information:

Financial year ending on	31 December 2021 CIS(000)	31 December 2020 CIS(000)
A. Change in defined benefit obligation		
1. Defined benefit obligation at end of prior year	209,820	167,301
2. Service cost		
a. Current service cost	7,158	6,378
b. Past service cost	-	258
c. (Gain)/loss on settlements	-	-
3. Interest expense	5,014	5,579
4. Cash flows		
a. Benefit payments from plan assets	-	-
b. Benefit payment from employer	(2,387)	(1,222)
5. Other significant events	-	-
6. Remeasurements		
a. Effect of changes in demographic assumptions	(390)	(5,771)
b. Effect of changes in financial assumptions	(28,222)	37,784
c. Effect of experience adjustments	1,313	(487)
7. Effect of changes in foreign exchange rates	-	-
8. Defined benefit obligation at end of year	<u>192,306</u>	<u>209,820</u>
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	2,387	1,222
(iii) Employer direct settlement payments	-	-
b. Participant contributions	-	-
c. Benefit payments from plan assets	-	-
d. Benefit payments from employer	(2,387)	(1,222)
e. Settlement payments from plan assets	-	-
f. Settlement payments from employer	-	-
4. Other significant events	-	-
5. Remeasurements	-	-
6. Effect of changes in foreign exchange rates	-	-
7. Fair value of plan assets at end of year	<u>-</u>	<u>-</u>

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Notes to financial statements

For the year ended 31 December 2021

(stated in Cayman Islands dollars)

19. Employee healthcare benefits, net (continued)

Disclosure Information: (continued)

Financial year ending on	31 December 2021 CIS(000)	31 December 2020 CIS(000)
C. Amounts recognized in the statement of financial position		
1. Defined benefit obligation	192,306	209,820
2. Fair value of plan assets	-	-
3. Funded status	192,306	209,820
4. Effect of asset ceiling/onerous liability	-	-
5. Net defined benefit liability (asset)	192,306	209,820
D. Components of defined benefit cost		
1. Service cost		
a. Current service cost	7,158	6,378
b. Reimbursement service cost	-	-
c. Past service cost	-	258
d. (Gain)/loss of settlements	-	-
e. Total service cost	7,158	6,636
2. Net interest cost		
a. Interest expense on DBO	5,014	5,579
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	5,014	5,579
3. Remeasurements of Other Long Term Benefits	-	-
4. Administrative expenses and/or taxes (not reserved within DBO)	-	-
5. Defined benefit cost included in P&L	12,172	12,215
6. Remeasurements (recognized in other comprehensive income)		
a. Effect of changes in demographic assumptions	(390)	(5,771)
b. Effect of changes in financial assumptions	(28,222)	37,784
c. Effect of experience adjustments	1,313	(487)
d. Total remeasurements included in OCI	(27,299)	31,526
7. Total defined benefit cost recognized in P&L and OCI	(15,127)	43,741

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19. Employee healthcare benefits, net (continued)

Disclosure Information: (continued)

Financial year ending on	31 December 2021 CIS(000)	31 December 2020 CIS(000)
E. Net defined benefit liability (asset) reconciliation		
1. Net defined benefit liability (asset)	209,820	167,301
2. Defined benefit cost included in P&L	12,172	12,215
3. Total remeasurements included in OCI	(27,299)	31,526
4. Other significant events	-	-
5. Cash flows	-	-
a. Employer contributions	-	-
b. Employer direct benefit payments	(2,387)	(1,222)
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	<u>192,306</u>	<u>209,820</u>
F. Defined benefit obligation		
1. Defined benefit obligation by participant status		
a. Actives	155,455	170,958
b. Vested deferreds	-	-
c. Retirees	36,851	38,862
d. Total	<u>192,306</u>	<u>209,820</u>
G. Significant actuarial assumptions		
<i>Weighted-average assumptions to determine defined benefit obligation</i>		
Effective discount rate for defined benefit obligation	2.95%	2.70%
Health care cost trend rates		
Immediate trend rate	5.33%	5.00%
Ultimate trend rate	4.00%	5.00%
Year rate reaches ultimate trend rate	2045	N/A
Mortality assumption	RP-2014 projected with MP-2021	RP-2014 projected with MP-2020

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19. Employee healthcare benefits, net (continued)

Disclosure Information: (continued)

Financial year ending on	31 December 2021 CIS(000)	31 December 2020 CIS(000)
G. Significant actuarial assumptions		
<i>Weighted-average assumptions to determine defined benefit cost</i>		
Effective discount rate for defined benefit obligation	2.70%	3.60%
Effective rate for net interest cost	2.40%	3.35%
Effective discount rate for service cost	2.75%	3.70%
Effective rate for interest on service cost	2.75%	3.65%
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-2020	RP-2014 projected with MP-2019
H. Sensitivity analysis		
<i>Change in the defined benefit obligation</i>		
Effective discount rates - 25 basis points	10,417	12,409
Effective discount rate + 25 basis points	(9,715)	(11,520)
Health care cost trend rates - 100 basis points	(34,844)	(40,103)
Health care cost trend rates + 100 basis points	45,031	52,459
Mortality assumption + 10%	(8,304)	(10,185)
I. Expected cash flows for following year		
1. Expected employer contributions	2,167	
2. Expected contributions to reimbursement rights	-	
3. Expected total benefit payments		
Year 1	2,167	
Year 2	2,499	
Year 3	2,943	
Year 4	3,348	
Year 5	3,760	
Next 5 years	25,846	

Participant data:

The defined benefit obligation at 31 December 2021 of the Health Authority as it relates to its participation in the plan were based on the data provided as at 31 December 2021 (405 active participants and 83 retired not employed).

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Notes to financial statements

For the year ended 31 December 2021

(stated in Cayman Islands dollars)

19. Employee healthcare benefits, net (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 2021 and 31 December 2020 are shown in the table below:

Economic Assumptions	Post-retirement Healthcare	Basis of Development - Accounting Specific Assumptions
Discount rate for benefit obligation (p.a.)		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.
. 31 December 2020	2.70%	
. 31 December 2021	2.95%	
Discount rate for the following year's current service cost (p.a.)		
. 31 December 2020	2.75%	
. 31 December 2021	2.95%	
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 US over the last 20 years.
Mortality improvements		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 scale issued by the Society of Actuaries is Scale MP-2021. The prior valuation used scale MP-2020.
. 31 December 2020	Scale MP-2020	
. 31 December 2021	Scale MP-2021	

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19. Employee healthcare benefits, net (continued)

Actuarial Assumptions: (continued)

Demographic Assumptions	Post-retirement Healthcare	Basis of Development - Accounting Specific Assumptions
Turnover rates	Rate	
	<u>Age</u> <u>Male</u> <u>Female</u>	
	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	<u>Age</u> <u>Rate</u>	
	<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
2020 healthcare claims cost assumption	Health - \$7,330 per participant per year	Based on active and retiree claims experience and 2020 renewal (converted to KYD), adjusted to age 65 using prior aging assumptions
	Dental - \$155 per participation Vision - \$78 per participation per year Administrative expenses - \$101.20 per retiree per month	
2021 healthcare claims cost assumptions	Health - \$7,630 per participant per year Dental - \$155 per participant per year Vision - \$78 per participant per year Administrative expenses - \$101.20 per retiree per month	Based on 2020 claim cost, adjusted to age 65 using current aging assumptions
Healthcare coverage-future pensioners	Male - 50% single, 50% family Female - 60% single, 40% family	Based on Health Services Authority experience.
Utilization differences due to age used to determine 31 December 2020 benefit obligation	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.
Proportion of death occurring off-island and requiring repatriation for 31 December 2020 disclosure	5.00%	

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Notes to financial statements

For the year ended 31 December 2021

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20. 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 2021 is nil (2020: \$150,000). As of 31 December 2021, nil (2020: nil) was paid out as settlement for medical malpractice claims and nil (2020: nil) for employee claim, respectively.

21. 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 \$275,699 and nil (2020: \$825,000 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 several 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.

(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	2,220,416	-	-	2,220,416
Total Capital Commitments	2,220,416	-	-	2,220,416
Operating Commitments				
Non-cancellable contracts for the supply of goods and services	2,088,178	3,961,564	-	6,049,742
Total Operating Commitments	2,088,178	3,961,564	-	6,049,742
Total Commitments	\$ 4,308,594	\$ 3,961,564	\$ -	\$ 8,270,159

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Notes to financial statements

For the year ended 31 December 2021

(stated in Cayman Islands dollars)

21. Contingencies and commitments (continued)

(b) Capital and operating commitments (continued)

The outstanding capital commitments are for the commitments related to improvements at the Health Authority main campus \$1,002,490 (2020: \$477,175) and the Bodden Town Health Centre \$1,000,000 (2020: \$1,000,000).

In addition, the Health Authority has entered various operating commitments with terms less than one year to over five years term amounting to \$6,049,742 (2020: \$9,173,346). 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 \$2.3 million (2020: US\$4 million). The contract will expire on 31 December 2023. The Health Authority has also contracted with their landlord for improvements at Smith Road Centre in the amount of \$280,527 (2020: \$1,277,093).

(c) Section 47 of The Public Authorities Act, 2017, (the "PAL"):

Section 47 of the PAL came into effect on 1 June 2019. The section requires public authorities to use the same salary scale as determined by the Cayman Islands' Cabinet and requires the remuneration of employees of a public authority to be adjusted to reduce any differences between the public authorities' and public service's pay grades.

The Cayman Islands Government's Portfolio of the Civil Service has not yet completed its evaluation of Authority's salary grade versus that of the public service. As such, management could not adjust for the impact of section 47 of the PAL in these financial statements. Management is also unable to derive an estimate of the potential impact of the evaluation on its financial statements and as such, no resultant provisions have been made in these financial statements.

(d) Sections 39(2) and 39(3) of the PAL:

Under Section 39(2) of the Public Authority Act (2020 Revision), any surplus cash exceeding three month's reserve should be paid over to core government, unless directed otherwise by Cabinet. In meeting No 46/22 on 5th April 2022, Cabinet exempted the Public Authorities from paying over cash reserves as at 31 December 2021.

Under Section 39(3) of the Public Authorities Act (2020 Revision), the Health Authority is required to pay dividends in accordance with the formula established by the Minister of Finance.

Pursuant to Section 19 (d) of the "Policy for the payment of annual dividends by statutory authorities and government companies (SAGCs)" (the "Dividend Payment Policy") approved by Cabinet on 11 February 2020 and based on the long-term liabilities of the Health Authority, the payment of a dividend will prejudice the HSA's ability to meet its financial obligations as and when they fall due for payment. The Health Authority is also exempted per Section 19 (b) due to sustaining an Operating loss for the 2020 financial year and under section 19 (e).

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Notes to financial statements

For the year ended 31 December 2021
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22. 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 2021, management estimates that the aggregate amount of Health Authority's transactions with government-related entities are at least 72% (2020: 69%) of its revenue and between 12% (2020: 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 \$45,364,755 (2020: \$52,978,083). 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 an equity injection of Nil in 2021 (\$1,178,201 in 2020) from the Cayman Islands Government. This amount relates to fixed assets purchased for COVID-19 preparedness.
- Pursuant to the general appropriation for the year ended 31 December 2021, the Health Authority billed the Government \$45,364,755 (2020: \$47,557,649) 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 \$15,417,290 (2020: \$15,417,290) and the maintenance of Faith Hospital in the amount of \$3,783,158 (2020: \$3,783,158). The amount outstanding as Cabinet receivable relating to other government programmes as of 31 December 2021 amounts to \$5,667,441 (2020: \$2,537,507) and this is presented as other receivables.

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Notes to financial statements

For the year ended 31 December 2021
(stated in Cayman Islands dollars)

22. Related party transactions (continued)

- 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	3,481,204	3,481,204
Public Health	1,353,576	1,353,576
Special Needs	901,660	901,660
School Health	818,785	818,785
Adolescent Mental Health	-	840,000
Medical Internship	150,000	150,000
Child Abuse Program	100,000	100,000
Cancer Registrar	38,667	38,667
	<u>\$15,417,290</u>	<u>\$16,257,290</u>

There were 17 personnel categorized in 2021 as related parties. These are broken down as 11 key management personnel and 7 Board of Directors (2020: 10 key management personnel and 6 Directors). The remuneration of directors and other members of key management mainly included as staff costs including pension during the year was as follows:

	2021	2020
Short-term benefits:		
Senior management	\$2,250,534	\$1,952,769
Board of directors	192,550	82,215
	<u>\$2,443,084</u>	<u>\$2,034,984</u>

For the 12-month period ended 31 December 2021 the Health Authority incurred medical costs for its key management and their dependants in the amount of \$243,193 (2020: \$80,988) including the cost provided in its own facility.

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 \$9,941 (2020: \$11,132) and remuneration of other related party amounting to \$875,270 (2020: \$571,975).

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Notes to financial statements

For the year ended 31 December 2021
(stated in Cayman Islands dollars)

23. 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 1 January 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 has 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 2021, 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.

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Notes to financial statements

For the year ended 31 December 2021
(stated in Cayman Islands dollars)

23. Financial instruments and associated risks (continued)

On that basis, the estimated credit loss allowance as at 31 December 2021 was determined to be \$21,764,537 for accounts receivable. This was calculated as follows:

31-Dec-21	Current	More than 180 days	More than 365 days
Expected loss rate	7%	62%	47%
Gross carrying amount – Accounts receivables	\$ 47,010,173	\$ 13,072,835	\$ 22,366,250
Loss allowance	3,156,252	8,046,924	10,561,361

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:

23.1 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 default 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 receivables 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 40% - 100% (31 December 2020: 40% - 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.

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Notes to financial statements

For the year ended 31 December 2021
(stated in Cayman Islands dollars)

23. Financial instruments and associated risks (continued)

23.1 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
	\$000	\$000	\$000	\$000	\$000
2021					
Gross accounts receivable	19,068	14,015	23,174	22,366	78,623
Allowance for bad debts	162	870	10,171	10,561	21,764
	18,906	13,145	13,002	11,805	56,859
	Less than 1 month	1-3 months	3 months to 1 year	1 year over	Total
	\$000	\$000	\$000	\$000	\$000
2020					
Gross accounts receivable	13,127	8,494	12,831	6,889	41,341
Allowance for bad debts	780	1,451	7,191	6,113	15,535
	12,347	7,043	5,639	776	25,806

23.2 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 2021 and 31 December 2020.

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Notes to financial statements

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(stated in Cayman Islands dollars)

23. Financial instruments and associated risks (continued)

23.2 Liquidity risk (continued)

	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 2021							
Financial assets							
Cash and cash equivalents	7,778,638		7,778,638	\$ -	\$ -	\$ -	\$ -
Short-term investments			-	-	-	-	-
Accounts receivable, net	57,572,222		57,572,222	-	-	-	-
Other receivables	22,405,801		22,405,801	-	-	-	-
	87,756,661	-	87,756,661	-	-	-	-
Financial liabilities							
Accounts payable and accrued expenses	17,955,396		17,955,396	-	-	-	-
Unfunded pension obligation	9,846,000		9,846,000	-	-	-	-
	27,801,396	-	27,801,396	-	-	-	-
Difference in contractual flows	\$59,955,265	-	\$59,955,265	-	-	-	-
	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 2020							
Financial assets							
Cash and cash equivalents	\$46,527,507		\$46,527,507	\$ -	\$ -	\$ -	\$ -
Short-term investments			-	-	-	-	-
Accounts receivable, net	25,682,776		25,682,776	-	-	-	-
Other receivables	3,555,382		3,555,382	-	-	-	-
	75,765,665	-	75,765,665	-	-	-	-
Financial liabilities							
Accounts payable and accrued expenses	12,581,236		12,581,236	-	-	-	-
Unfunded pension obligation	13,550,000		9,616,000	-	-	-	-
	26,131,236	-	22,197,236	-	-	-	-
Difference in contractual flows	\$49,634,429	-	\$53,568,429	-	-	-	-

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Notes to financial statements

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23. Financial instruments and associated risks (continued)

23.3 Interest risk

Interest rate risk – The Health Authority is exposed to interest rate risk for the \$4 million credit facility with CIBC 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.

24. 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 2021 in the amount of \$8,127,359 (net deficit 2020: (\$63,176,634)) with a net income for the year of \$8,062,512 (2020: net loss \$1,211,730) 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 can fund the medical cost of its retirees as it falls due, the total medical cost paid as of 31 December 2021 amounts to \$2,387,000 (2020: \$1,222,000). 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 can provide 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.

In December 2019, a novel strain of coronavirus was reported to have surfaced in China. On 11 March 2020 the World Health Organization declared a global pandemic as a result of the outbreak of COVID-19. The Cayman Islands Government, on 16 March 2020 closed the country's borders, implemented shelter-in-place regulations, put curfews in place, and put restrictions on public gatherings. All local companies, unless they were designated as an essential public place or provide an essential service, were closed. Further to the measures put in place by CIG, the Health Authority

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

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24. Going concern considerations (continued)

ceased all non-emergent services in April of 2020, until CIG began to ease the measures, at which point the Health Authority slowly re-opened services from the end of June and through to end of August before services were all fully back online.

The economic impact of the COVID-19 pandemic has created uncertainty in global markets, has had a significant impact on the local economy, which in turn has impacted the finances of the Health Authority.

Examples of the economic impact of COVID-19 which the Health Authority has experienced include:

- Capital project delays due to international supply chain interruptions for raw materials and buildings supplies
- Increased staffing complement to lead the pandemic response from a healthcare perspective. Several additional staff were taken on under temporary contract arrangements;
- Major supply chain disruption brought on by heavy global demand, panic purchasing, and increased pricing of medical and surgical supplies, and pharmaceuticals. In addition, there have been export restrictions placed on medical supplies by some of the larger countries which have been experiencing heavy COVID-19 caseloads, including the United States, the United Kingdom, and the European Union.
- Recruitment efforts have also been hampered by the pandemic, as most clinical
- Temporary change in business focus toward population vaccination and management of the local COVID-19 outbreak in the 4th quarter of the fiscal year.

The Health Authority continues to seek alternative markets to acquire medical supplies,

While the Health Authority expects that the pandemic will continue to impact its operating results for an extended period, the related financial impact and duration cannot be reasonably estimated at this time.

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

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Notes to financial statements

For the year ended 31 December 2021

(stated in Cayman Islands dollars)

25. Subsequent events

In February 2022, the Board of Directors agreed to action Stage 1 of the Health Authority's approach to implementing the Public Authorities Act section 47, which aims to bring staff terms and conditions in line with the civil service. The Health Authority has identified a three-stage implementation process for the Act. Other stages, including harmonizing salary scales, are still under review. Stage 1 relates to the Authority paying, for all staff, the 6% employees' pension contribution with effect from January 2022. This action will double future defined contribution pension expense of the Health Authority.