



OWNERSHIP AGREEMENT ANNUAL REPORT

For

***Cayman Islands Health Services
Authority***

For the year ended 30 June 2004

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1. Chairman's Statement

The year 2003/4 was a difficult year for the Cayman Islands Health Services Authority ("HSA"). Our transition from a government department to an Authority presented numerous challenges, for which the organization was unprepared and which contributed to the non submission of financial reports for the year under review.

The initial plan was for the Authority to become a legal and functioning entity on January 1, 2003. However in January 2002 those plans were amended by the political administration to have the Authority come into effect on July 1, 2002. The Health Services therefore had a compressed timeframe of five months to deal with the all the legal, administrative, human resource, financial and other operational issues required instead of a time-span of one and a half years as was originally planned.

1. The Authority was completely reliant on central government infrastructure and support for major aspects of its operation and financial systems. As a result these systems were not in place when the transition became effective on July 1, 2002. The inadequate financial system that was in place created significant deficiencies, lack of control and effective management in many areas of which a disclaimer of opinion was issued by the Auditor General for 2002/3 financial statements. The Report of the Auditor General on the Financial Statements of the Government of the Cayman Islands for the year ended June 30, 2004 in reference to the Health Services Authority accurately summarized it by the following statement: "It also suggests that the transition to an Authority was not properly planned before commencement of operation."
2. Inadequate capitalization at the start-up of the Authority and insufficient capital funding severely curtailed the HSA's ability to fund the acquisition of critical equipment and procure systems including financial, IT, inventory management systems to allow the Authority to become compliant with the laws and regulations in a more timely fashion.
3. There were no consistent financial records maintained on which we could prepare financial statements. In our painstaking efforts to reconstruct financial data, contact was made with the previous Board and finance and administration staff which advised that due to significant damage to records during Hurricane Ivan and the lack of an electronic and financial management system within the HSA, at the time, no credible records were available to prepare financial statements for the period 2003/4 and 2004/5.
4. Recognizing the implications and the impact of the unavailability of financial records on government's overall financial position, a recommendation was presented to the Board to reconstruct financial data from available records, which was deemed almost impossible by external auditors and would have cost the HSA a huge financial sum and would not yield any credible information and therefore this option was not pursued.
5. The Board and management of the HSA took immediate steps in building the accounting framework and organizing operations to ensure financial sustainability by implementing the necessary systems and procedures for the timely submission of relevant financial reports.

Despite these challenges experience by the Authority, financial statements were compiled in 2005/6 and presented to the Auditor General for audit.


Canover Watson

Chairman of the Board of Directors
June, 2010

2. Purpose

This annual report details the performance of the Cayman Islands Health Services Authority for the fiscal year ending 30 June 2004.

It includes information about the actual performance delivered during the year as compared to the planned performance documented in the Ownership Agreement for Cayman Islands Health Services Authority for 2003/4, or as amended through the supplementary appropriation process.

3. Nature and Scope of Activities

This section outlines the nature and scope of activities within which Health Services Authority should have operated during the year.

Approved Nature and Scope of Activities

General Nature of Activities

The Health Services Authority is responsible for the provision and administration of health care services in the Cayman Islands.

Scope of Activities

The Health Services Authority provides primary and secondary levels of healthcare services and public health functions. This includes:

- General practices and emergency services. Emergency Service is staffed with specially trained nurses and doctors, EMT's and paramedics. Provides a seven-days-a week, 24-hour emergency services.
- Specialist services in the fields of: surgery, gynaecology & obstetrics, paediatrics, internal medicine, dermatology, anaesthesiology, public health, orthopaedics, psychiatry, cardiology, gastroenterology, rheumatology, radiology, neurology, ophthalmology, ear, nose & throat, periodontology, reconstructive surgery, faciomaxillary surgery, and urology.
- Inpatient services including medical and surgical services, maternity services, paediatric services and mental health care. There are also: a critical care service, neonatal intensive care service, and an ambulatory care unit. The following services are also provided: operating theatre; dialysis services; physiotherapy, X-ray services (including ultrasound and CT scans) and laboratory/pathology services; a pharmacy services; morgue; and a forensic and drug testing laboratory.
- A full range of dental services and ophthalmologic services.
- Public Health services include:
 - Health advice and vaccines for international travellers;
 - Health assessment, including vision and hearing tests for children
 - Nutrition and dietary counselling clinics,
 - Child growth and development monitoring;
 - Communicable disease screening; and
 - Disease control programmes, including immunization.

Customers and Location of Activities

The Health Services Authority owns and operates all healthcare facilities previously operated by the Health Services Department of the Government. These include the two hospitals in Grand Cayman (Cayman Islands Hospital) and Cayman Brac (Faith Hospital), a public health unit (which provide services in community settings), four district health centres and a general practice clinic at the Cayman Islands Hospital, a dental clinic (including school dental services), the Lions Eye Clinic and a clinic in Little Cayman.

The Health Services Authority provides services to all members of the community and visitors. It serves as the primary source of healthcare services to groups of people entitled to healthcare by the Cayman Islands' Government. This includes civil servants and their dependants, government pensioners, school age children, seamen & veterans, indigents and prisoners.

Compliance during the Year

Throughout this year, the HSA was unable to provide information on its actual financial performance as no financial information or records were available to support the operations that took place.

4. Strategic Goals and Objectives

The approved key strategic goals and objectives (from an ownership perspective) for the Health Services Authority for the 2003/4 financial year are as follows:

- A. Improve the quality of the healthcare services provided by the Health Services Authority.
 - 1. Improve all customer service aspects by focusing on customer service programs for staff.
 - 2. Improve clinical outcomes of the services by providing real-time access to medical record documentation including the ability to review diagnostic results online. This will be accomplished by the implementation of the Cerner information system, which provides an electronic-medical record.
- B. Improvement in financial/cost effectiveness of the Health Services Authority and the services it provides.
 - 1. Continue to improve upon financial independence of the Authority by establishing cost-based charges for services, improve documentation/charging for services (which result in increased revenue). This will be accomplished by Cerner information system, which provides for patient charging via clinical documentation.
 - 2. Improve the collection rate for non-governmental patients by implementing the improved information system functionality.
 - 3. Develop cost effective services to provide on island, thereby reducing the cost of overseas medical care paid for by the Ministry.
- C. Improved access to healthcare service for the population of the Cayman Islands.
 - 1. Provide a new level of inpatient mental health service by opening the new purpose built facility staffed by mental health trained professionals.
 - 2. Ensure that adequate inpatient services are available by focusing on discharge/bed management to ensure all inpatient actually require an acute level of care. Coordinate with the Ministry and the Department of Social Services to ensure an adequate supply of lower care settings and streamline placement functions. In addition, develop a community-based/home health services to provide a lower cost service in the patient's home.
- D. Create a stable, motivated & empowered workforce.

5. Ownership Performance Targets

The ownership performance targets achieved [as specified in schedule 5 to the Public Management and Finance Law (2005 Revision)] for Health Services Authority for the 2003/4 financial year are as follows.

Financial Performance

Financial Performance Measure	2003/4 Actual \$	2003/4 Budget \$
Revenue from Executive Council	No information available	25,004,781
Revenue from ministries, portfolios, statutory authorities and government companies	No information available	-
Revenue from other persons or organizations	No information available	13,215,361
Surplus/deficit from outputs	No information available	(5,701,465)
Other expenses	No information available	-
Net Surplus/Deficit	No information available	(5,701,465)
Total Assets	No information available	42,850,000
Total Liabilities	No information available	1,400,000
Net Worth	No information available	41,450,000
Cash flows from operating activities	No information available	(3,817,465)
Cash flows from investing activities	No information available	(650,000)
Cash flows from financing activities	No information available	4,500,000
Change in cash balances	No information available	82,535

Financial Performance Ratio	2003/4 Actual \$	2003/4 Budget \$
Current Assets: Current Liabilities	No information available	3.9
Total Assets: Total Liabilities	No information available	28.5

Human Capital Measures	2003/4 Actual	2003/4 Budget
Total full time equivalent staff	No Information available	580
Staff turnover (%)	No information available	15%
Average length of service (Number) Senior management Professional staff Administrative staff	No information available	8 yrs
Significant changes to personnel management system	No information available	Performance Related Pay Increases

Physical Capital Measures	2003/4 Actual \$	2003/4 Budget \$
Value of total assets	No information available	\$37,450,000
Asset replacements: total assets	No information available	1.74%
Book value of depreciated assets: initial cost of those assets	No information available	-
Depreciation: Cash flow on asset purchases	No information available	186%
Changes to asset management policies	No information available	None

New Major Capital Expenditure Projects	2003/4 Actual \$	2003/4 Budget \$
Storm shutters for Faith Hospital and relocation of Little Cayman Clinic	No information available	\$50,000

Existing Major Capital Expenditure Projects	2003/4 Actual \$	2003/4 Budget \$
Equipment associated with the hospital information system (Cerner)	No information available	\$600,000

Risk Management

Key risks	Change in status from 2002/2003	Forecasted actions to manage risk	Financial value of risk
Loss of patient volumes	No Change	Continue with Customer Service initiatives with staff. Develop an overall marketing strategy and plan to educate the population on available services.	No information available
Inability to obtain an appropriate level of charge to cover services provided	No Change	Develop costing analysis at the CPT code level to support rate changes. Focus on developing and growing private sector market.	No information available
Loss of exclusive service to government entitled patients	No Change	Develop plan to improve customer service, customer access to services and develop new services to meet needs.	No information available
Professional Recruitment & Retention	Increased	Review of the compensation levels and models. Introduce a performance based pay component. Identify non-compensation issues related to professional turnover. Explore alternative relationships with physicians (non-employment models). Continue to support the LPN training program (which the HSA recently began)	No information available
Increased Cost of Malpractice Coverage	Increased	To aggressively manage and litigate all defensible cases. To continue to maintain claims logs in order to solicit alternative coverage.	No information available
Increased Cost of Operations due to lack of alternate or lower cost care settings.	Increased	Coordinate with the Ministry and the Department of Social Services to ensure an understanding of the financial cost of the issue. Prepare a feasibility analysis on providing a home healthcare service.	No information available
Due to financial constraints, the inability to provide market-based compensation to recruit & retain staff	Increased	Continue to identify and eliminate wastage so that funds can be redirected to address this concern.	No information available
Inability to invest capital in new service line.	Increased	Create a clinical development study to match the needs of the population and coordinate with the Ministry for investing funding for services that could be more cost effectively provided on island.	No information available

6. Summarised Forecast Financial Statements

A full set of forecast financial statements for Health Services Authority is provided in the Appendix to this Ownership Agreement Annual Report.

A summary of those is as follows.

Operating Statement	Actual for the Year Ending 30 June 2004 \$	Forecast for the Year Ending 30 June 2004 \$
Revenue	No information available	\$38,220,142
Operating Expenses	No information available	\$43,921,607
<i>Net Surplus/Deficit</i>	No information available	<i>(\$5,701,465)</i>

Balance Sheet	Actual as at 30 June 2004 \$	Forecast as at 30 June 2004 \$
Assets	No information available	\$42,850,000
Liabilities	No information available	\$1,400,000
<i>Net Worth</i>	No information available	<i>\$41,450,000</i>

Statement of Cash Flows	Actual for the Year Ending 30 June 2004 \$	Forecast for the Year Ending 30 June 2004 \$
Net cash flows from operating activities	No information available	(\$3,817,465)
Net cash flows from investing activities	No information available	(\$650,000)
Net cash flows from financing activities	No information available	\$4,500,000

7. Other Financial Information

Detailed below is information about specific financial transaction required to be included in the Ownership Agreement by the Public Management and Finance Law (2005 Revision).

Transaction	Actual 2003/4 \$	Budget 2003/4 \$
Equity Investments into Health Services Authority	No information available	\$5,750,000
Capital Withdrawals from Health Services Authority	No information available	\$0
Dividend or Profit Distributions to be made by Health Services Authority	No information available	\$0
Government Loans to be made to Health Services Authority	No information available	\$0
Government Guarantees to be issued in relation to Health Services Authority	No information available	\$0
Related Party Payments (Non Remuneration) made to Key Management Personnel ¹³	No information available	\$0
Remuneration ¹⁴ Payments made to Key Management Personnel	No information available	\$1,092,400
Remuneration Payments made to Senior Management	No information available	\$1,087,000

	Actual 2003/4	Budget 2003/4
No of Key Management Personnel	No information available	25
No of Senior Management	No information available	12

¹³

Key Management Personnel as defined by International Public Sector Accounting Standards No 20, e.g. Minister, Board Member and Senior Management Team

¹⁴

Remuneration as defined by International Public Sector Accounting Standards No 20 Par 34(a)

8. Agreement

We jointly agree that this Ownership Agreement Annual Report accurately states the ownership performance that *Cayman Islands Health Services Authority* had forecasted for the 2003/4 financial year and no information is available to present the actual performance in relation to the forecast.

Signature)

[relevant Minister]

on behalf of the Cabinet

[Signature]

Chairman of the Board

Cayman Islands Health Services Authority

June 2010

Appendix: Financial Statements

**Cayman Islands Health Services Authority
FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2004**

The current Board, appointed in August 2009, is unable to make any representation regarding these financial statements.

Chairman
On behalf of the Board

Date

**CAYMAN ISLANDS HEALTH SERVICES AUTHORITY
STATEMENT OF REVENUE AND EXPENDITURE
FOR THE YEAR ENDING 30 JUNE 2004**

Revenue

	Actual 2003-2004	Budget 2003-2004
<u>Revenue</u>		
Patient Services Non govt	No information available	13,215,361
Patient Services Govt	No information available	20,084,639
Total Patient Services	No information available	<u>33,300,000</u>
Government Programs Faith Hosp	No information available	2,908,109
Government Programs Public Hlth	No information available	2,012,033
Total Revenues	No information available	<u>38,220,142</u>

Expenditures

Personal Emoluments	No information available	24,605,880
Other Personnel Costs	No information available	2,894,800
Supplies & Materials	No information available	6,135,000
Utilities	No information available	1,938,066
Other Op & Mtce Exp	No information available	2,688,000
Insurance	No information available	1,172,500
Travel and Subsistence	No information available	360,000
Training	No information available	813,000
Reference Material	No information available	120,000
Bad Debt Expense	No information available	1,982,361
Depreciation	No information available	1,212,000
Total Expenses	No information available	<u>43,921,607</u>
Net Income	No information available	<u>(5,701,465)</u>

**CAYMAN ISLANDS HEALTH SERVICES AUTHORITY
STATEMENT OF CHANGES IN NET WORTH
FOR THE YEAR ENDING 30 JUNE 2004**

	Actual 30-Jun-04	Budget 30-Jun-04
Net Assets at June 30, 2003	No information available	41,401,465
Net Surplus/Deficit	No information available	(5,701,485)
Equity Investment	No information available	5,750,000
Net Assets at June 30, 2004	No information available	41,450,000

**CAYMAN ISLANDS HEALTH SERVICES AUTHORITY
BALANCE SHEET
AS AT 30 JUNE 2004**

	Actual 30-Jun-04	Budget 30-Jun-04
Assets		
Cash and Cash equivalents	No information available	200,000
Accounts Receivable, Net of Allowances	No information available	3,200,000
Other Receivables	No information available	-
Inventory	No information available	1,500,000
Prepayments	No information available	500,000
Current Assets	No information available	5,400,000
Fixed Assets, Net of Depreciation	No information available	37,450,000
Total	No information available	42,850,000
Liabilities		
Accounts Payable & Accrued Expenses	No information available	1,400,000
Net Assets	No information available	41,450,000

**CAYMAN ISLANDS HEALTH SERVICES AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING 30 JUNE 2004**

CASH FLOWS FROM OPERATING ACTIVITIES	Actual 2003/4	Budget 2003/4
Net loss for the year	No information available	(5,701,465)
Add item not affecting working capital:		
Depreciation	No information available	1,212,000
Net changes in non-cash working capital balances relating to operations		
Accounts receivable, net, increase	No information available	-
Other receivable, decrease	No information available	192,000
Accounts payable and accrued expenses, increase	No information available	480,000
Net cash flows from operating activities	No information available	(3,817,465)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of non-current assets	No information available	(650,000)
Net cash flows from investing activities	No information available	(650,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Equity Contributions	No information available	4,500,000
Net cash flows from financing activities	No information available	4,500,000
Net Increase/(decrease) in cash and cash equivalents	No information available	32,535
Cash and cash equivalents at beginning of period	No information available	167,465
Cash and cash equivalents at end of period	No information available	200,000