



**OWNERSHIP AGREEMENT
ANNUAL REPORT**

For

Cayman Islands Health Services Authority

For the year ended 30 June 2005

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1. Chairman's Statement

In 2004/5 the Cayman Islands Health Services Authority suffered frequent changes in the key leadership roles of Chief Executive Officer, Medical Director, HR Director and Chief Financial Officer. These frequent turnovers complicated an already untenable situation in the operational management and controls of the organization and has left the organization with the lack of consistent leadership required to facilitate effective implementation of systems and processes to carry the organization forward in a coherent manner.

This situation was further aggravated by Hurricane Ivan in 2004 and the organization suffered extensive property damage, which further heightens the internal inefficiencies in an already weak management system. The conditions that existed during this period were:

1. the Authority's lack of an electronic financial management system for easy storage and retrieval of data;
2. outdated manual processes without any identified internal auditing process to verify the accuracy of the financial data; and
3. inadequate resources and lack of proper systems for data storage and preservation.

These deficiencies led to the inevitable in the aftermath of Hurricane Ivan in 2004 which destroyed much of the paper-based financial records available and due to the lack of consistency and credibility in the salvageable data the Authority had no basis on which to prepare and present credible financial reports. The Authority made extensive efforts, with the assistance of external expertise to recreate accounts from the retrievable manual files but was advised that the financial resources to undertake this investment and the return was not a cost-efficient use of scarce resources.

The Auditor General was advised and a deliberate and comprehensive program undertaken by the then Board and management to overhaul the Authority's financial management system, with the assistance and expertise of external agencies. This process commenced in the 2004 financial year with

1. acquisition and implementation of a new clinical information system;
2. phased implementation of an electronic financial management system; and
3. restructuring of the finance department and recruitment of additional personnel to enhance the financial functions.

These measures will provide the Authority the required resources to achieve improved financial management and the preparation and validation of subsequent annual financial reports.



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 2005.

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 2004/5, 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 is to operate during the year.

Approved Nature and Scope of Activities

General Nature of Activities

The Health Services Authority is responsible for the provision 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 for the residents of the Cayman Islands in accordance with the National Strategic Plan for Health as agreed with the Ministry of Health from time to time.

There are 40 doctors currently practicing in the Authority, including four based on Cayman Brac. This number includes outpatient services staff i.e. general practice, emergency services.

The Emergency Service is staffed with specially trained nurses, doctors, emergency medical technicians and paramedics who provide seven-days-a week, 24-hour emergency services. Specialist services are also available in the fields of: surgery, gynaecology & obstetrics, paediatrics, internal medicine, dermatology, anaesthesiology, public health, orthopaedics, psychiatry, cardiology, gastroenterology, radiology, neurology, ophthalmology, ear, nose & throat, periodontology, reconstructive surgery, faciomaxillary surgery, and urology.

The HSA operates two hospitals: the Cayman Islands Hospital (CIH/back then known as the George town Hospital) in Grand Cayman and Faith Hospital (FH) in Cayman Brac. The CIH provides inpatient care in the area of medicine and surgery, maternity, paediatric, mental health, critical care, neonatal intensive care, operating theatre and recovery. The following outpatient and support services are also provided: ambulatory care, dialysis, physiotherapy, radiology (including ultrasound and CT scans) and laboratory/pathology services; inpatient and outpatient pharmacy, morgue and a forensic and drug testing laboratory. Faith Hospital provides general practice service and inpatient services which includes medical-surgical services, paediatrics, obstetric & gynaecology, 24-hour emergency service and pre-hospital care. This service is being rendered through a purchase agreement with the Ministry of Health Services.

The Health Services Authority also provides a full range of dental and ophthalmologic services.

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

Public Health services include:

- Health advice and vaccines for international travellers;
- Health assessment, including vision and hearing tests for children;
- Nutrition and dietary counselling;
- Child growth and development monitoring;
- Communicable disease screening; and
- Disease control programmes, including immunization.

Customers and Location of Activities

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, public office pensioners and their dependents, school age children, seamen and veterans, indigents and prisoners.

The Health Services Authority owns and operates all healthcare facilities previously operated by the Health Services Department of the Government. These include two hospitals (in Grand Cayman, the Cayman Islands Hospital and in Cayman Brac, Faith Hospital), a public health unit (which provides services in the community setting), 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.

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 2004/5 financial year are as follows:

- A. Ensure the provision of patient focused care that complies with internationally accepted standards.
 - 1. Improve all customer service aspects by focusing on customer service programs for staff.
 - 2. Improve access to services being offered
 - 3. Improve clinical outcomes of the services by retaining staff who are clinically competent, motivated and caring.
 - 4. Develop clinical protocols and policies for standards of practice
 - 5. Upgrade and introduce new equipment and supplies for service enhancement

- B. Improve financial/cost effectiveness of the Health Services Authority and the services it provides.
 - 1. Continue to improve the financial independence of the Authority by establishing cost based charges for services currently provided which are not on the Master Charge list.
 - 2. Strengthen the financial management and control functions within the Authority utilizing recommendations in audit reports
 - 3. Development of new, cost-effective medical services on island reducing the need for patients to travel overseas and lowering the cost of overseas medical care paid for by the Ministry and these patients.

- C. Create a stable, motivated and empowered workforce.
 - 1. Establish a Human Resource Program which will ensure recruitment and retention of staff committed to the organization's mission.
 - 2. Implement a performance incentive/reward system
 - 3. Complete the salary review process ensuring the availability of competitive salaries for recruitment and retention of staff
 - 4. Provide a robust continuing education program for all staff

- D. Develop a Strategic Plan for the Health Services Authority.

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 2004/5 financial year are as follows.

Financial Performance

Financial Performance Measure	2004/5 Actual \$	2004/5 Budget \$
Revenue from Cabinet	No information available	\$10,339,865
Revenue from ministries, portfolios, statutory authorities and government companies	No information available	\$12,624,489
Revenue from other persons or organizations	No information available	\$22,242,471
Surplus/deficit from outputs	No information available	0
Other expenses	No information available	\$49,677,834
Net Surplus/Deficit	No information available	\$(4,471,009)
Total Assets	No information available	\$ 56,977,878
Total Liabilities	No information available	\$3,700,000
Net Worth	No information available	\$53,277,878
Cash flows from operating activities	No information available	\$(2,239,617)
Cash flows from investing activities	No information available	\$(1,000,000)
Cash flows from financing activities	No information available	\$4,500,000
Change in cash balances	No information available	\$ 1,260,383

Financial Performance Ratio	2004/5 Actual \$	2004/5 Budget \$
Current Assets: Current Liabilities	No information available	2.15:1
Total Assets: Total Liabilities	No information available	15.4:1

Maintenance of Capability

Human Capital Measures	2004/5 Actual	2004/5 Budget
Total full time equivalent staff	No Information available	Target = 624
Staff turnover (%)	No information available	Target= 10%
Average length of service (Number) Senior management Professional staff Administrative staff	No information available	7.2 yrs - all staff 7.56 yrs 6.36 yrs
Significant changes to personnel management system	No information available	Performance Related Pay Increases- Time and Attendance System

Physical Capital Measures	2004/5 Actual	2004/5 Budget
Value of total assets	No information available	\$56,977,878
Asset replacements: total assets	No information available	1.75
Book value of depreciated assets: initial cost of those assets	No information available	0.018:1
Depreciation: Cash flow on asset purchases	No information available	2.3:1
Changes to asset management policies	No information available	None

<u>New</u> Major Capital Expenditure Projects	2004/5 Actual	2004/5 Budget
None	No information available	None

<u>Existing</u> Major Capital Expenditure Projects	2004/5 Actual	2004/5 Budget
Equipment associated with the hospital information system (Cerner)	No information available	\$0

Risk Management

Key risks	Change in status from 2003/2004	Actions to be taken to manage risk	Financial value of risk
Inability to obtain an appropriate level of charge to cover services provided	Increased	Develop costing analysis to support rate increase request to the Minister	No information available
Loss of exclusive service to government entitled patients	No Change	Develop plan to improve customer satisfaction and access to current services and develop new services to meet identified needs.	No information available
Physician Recruitment & Retention	Increased	Review of the compensation levels and models. Introduce a performance-based pay component. Identify non-compensation issues related to physician turnover. Explore alternative relationships with physicians (non-employment models).	No information available
Increased Cost of Malpractice Coverage	Increased	To aggressively manage and litigate all defensible cases. To continue to maintain claims log 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.	No information available
Loss of patient volumes	No Change	Continue with Customer Service initiatives with staff. Develop an overall marketing strategy and to educate the population on available services.	No information available
Due to financial constraints, the inability to provide market-based compensation to recruit & retain staff	Increased	Explore and implement options of non financial rewards/incentives program to encourage and motivate staff.-Provide opportunities for continuing education with identified overseas facilities- Empower staff to be innovative in cost containment	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. Summarized 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 2005 \$	Forecast for the Year Ending 30 June 2005 \$
Revenue	No information available	\$45,206,825
Operating Expenses	No information available	\$49,677,834
<i>Net Surplus/Deficit</i>	No information available	<i>(\$4,471,009)</i>

Balance Sheet	Actual for the Year Ending 30 June 2005 \$	Forecast for the Year Ending 30 June 2005 \$
Assets	No information available	\$56,977,878
Liabilities	No information available	\$3,700,000
<i>Net Worth</i>	No information available	<i>\$53,277,878</i>

Statement of Cash Flows	Actual for the Year Ending 30 June 2005 \$	Forecast for the Year Ending 30 June 2005 \$
Net cash flows from operating activities	No information available	\$(2,239,617)
Net cash flows from investing activities	No information available	\$(1,000,000)
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 2004/5 \$	Budget 2004/5 \$
Equity Investments into Health Services Authority	No information available	\$4,500,000
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 ⁵	No information available	\$0
Remuneration ⁶ Payments made to Key Management Personnel	No information available	\$1,575,800
Remuneration Payments made to Senior Management	No information available	\$1,566,200

	Actual 2004/5	Budget 2004/5
No of Key Management Personnel	No information available	28
No of Senior Management	No information available	13

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 2004/5 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 2005**

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 2005**

	Actual 2004-2005	Budget 2004-2005
Revenue		
Patient Services Non govt	No information available	22,242,471
Children Health Care	No information available	-
Community Development	No information available	1,101,766
CINICO	No information available	10,986,823
Judicial/Legal	No information available	535,900
District Administration	No information available	-
Ministry of Health - Indigents	No information available	5,173,177
Government Programs Faith Hosp	No information available	2,000,000
Government Programs Public Hlth	No information available	2,970,178
Government Programs Other	No information available	196,510
Total Revenues	No information available	45,206,825
Expenditures		
Personal Emoluments	No information available	29,361,500
Other Personnel Costs	No information available	5,141,690
Supplies & Materials	No information available	5,200,000
Utilities	No information available	1,900,000
Other Op & Mtce Exp	No information available	2,500,000
Insurance	No information available	1,500,000
Travel and Subsistence	No information available	150,000
Training	No information available	600,000
Reference Material	No information available	120,000
Bad Debt Expense	No information available	904,644
Depreciation	No information available	2,300,000
Total Expenditures	No information available	49,677,834
Net Operations	No information available	(4,471,009)

**CAYMAN ISLANDS HEALTH SERVICES AUTHORITY
 STATEMENT OF CHANGES IN NET WORTH
 FOR THE YEAR ENDING 30 JUNE 2005**

	Actual 2004-2005	Budget 2004-2005
Net Assets at June 30, 2004	No information available	53,248,887
Net Surplus/Deficit	No information available	(4,471,009)
Equity Investment	No information available	4,500,000
Net Assets at June 30, 2005	No information available	53,277,878

**CAYMAN ISLANDS HEALTH SERVICES AUTHORITY
BALANCE SHEET
AS AT 30 JUNE 2005**

	Actual 2004-2005	Budget 2004-2005
Assets		
Cash and Cash equivalents	No information available	835,730
Accounts Receivable, Net of Allowances	No information available	5,765,499
Other Receivables	No information available	-
Inventory	No information available	1,350,000
Current Assets	No information available	7,951,229
Fixed Assets, Net of Depreciation	No information available	49,026,649
Total	No information available	56,977,878
Liabilities		
Accounts Payable & Accrued Expenses	No information available	3,700,000
Net Assets	No information available	53,277,878

**CAYMAN ISLANDS HEALTH SERVICES AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING 30 JUNE 2005**

CASH FLOWS FROM OPERATING ACTIVITIES	Actual 2004/05	Budget 2004/05
Receipts		
Sale of Outputs to Cabinet	No information available	10,332,219
Sale of Outputs (Goods & Services) to Ministries/Portfolios, SAs & GCs	No information available	11,798,784
Sale of Outputs (goods and services) to Others	No information available	22,907,214
Other receipts	No information available	50,000
Payments		
Personnel costs	No information available	(34,703,190)
Suppliers	No information available	(12,624,644)
Net cash flows from operating activities	No information available	(2,239,617)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of non-current assets	No information available	(1,000,000)
Net cash flows from investing activities	No information available	(1,000,000)
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	1,260,383
Cash and cash equivalents at beginning of period	No information available	(424,653)
Cash and cash equivalents at end of period	No information available	835,730