



JUNE 30, 2018

ANNUAL REPORT

NATIONAL HEALTH
INSURANCE AUTHORITY



**National Health
Insurance Authority**

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CHAIRMAN'S STATEMENT

December 17th, 2018

Dr. The Hon. Duane E.L. Sands
Minister of Health
Ministry of Health
Poinciana Hill
P.O.Box N-3729
Nassau
New Providence
The Bahamas

Dear Minister Sands:

**Re: The National Health Insurance Authority's 2018
Annual Report**

The Minister of Health, Dr. The Honorable Duane Sands appointed the National Health Insurance Authority's (NHIA) first Board on July 31, 2017. The period ended June 30, 2018 was a successful one for the Authority due in part to the work of NHIA's Board, ably supported by the executive management and a strong team of employees.

A few achievements worth acknowledging during the period ended June 30, 2018 include the continued work of delivering modern, affordable and accessible health care to more than forty thousand enrollees. The expansion of the benefits package to include laboratory services both in Nassau and the Family Islands and finally, the completion of our very first Financial Audit.

In accordance with Section 37 of the National Health Insurance Act, 2016. I have the privilege of submitting to you, on behalf of the Board of Directors, the Annual Report of the National Health Insurance Authority.

I take this opportunity to thank the management and staff of the Authority for their strong team spirit and dedication to the NHIA goals during the ended period of June 30, 2018.

Sincerely yours,

Dr. Robin Roberts
Chairman

NHIA BOARD

The Board of Directors was appointed to serve on July 26, 2017.

Dr. Robin Roberts	CHAIRMAN
Judith A. Whitehead	DEPUTY CHAIRMAN
Terneille Burrows	MEMBER
Barbara Wilson	MEMBER
Emmanuel Komolafe	MEMBER
Montgomery Braithwaite	MEMBER
Dr. Marcus Cooper who replaced Dr. Sy Pierre replaced by Dr. Marcus Cooper	MEMBER
Bernard Evans	MEMBER
Leyvon Miller	MEMBER
Dr. Pearl who replaced Dr. Glen Beneby McMillan (Acting Director of the Department of Public Health and Chief Medical Officer for the Ministry of Health)	EX-OFFICIO MEMBER
Graham Whitmarsh CEO/Managing Director who replaced Dr. Delon Brennen	EX-OFFICIO MEMBER
Former director Patricia Hermanns replaced by Dr. Nicola Virgill-Rolle (Director National Insurance Board)	EX-OFFICIO MEMBER
Lilian Quant-Forbes (Acting Director Social Services)	EX-OFFICIO MEMBER
Michele Fields (Director Insurance Commission of The Bahamas)	EX-OFFICIO MEMBER

WHAT IS NHI

NHI Bahamas is a new national health insurance programme for The Bahamas introduced by Government. NHI Bahamas aims to ensure that all legal Bahamian residents – no matter your income, age, island of residence or current health status – can receive affordable and accessible health care.

NHI Bahamas is being rolled out in phases. Bahamians began registering for the National Health Insurance program in January 2016. Enrollment for NHI Bahamas began in 2017 and is ongoing. Beginning in May 2017, Bahamians began receiving primary care services under NHI Bahamas. Most recently, in October 2018, the NHI Authority has a consultation paper on the new way forward for NHI which will pave the way for expanded benefits coverage for the future.

NHIA EXECUTIVES



GRAHAM WHITMARSH

MANAGING DIRECTOR & CEO



PATRICK HANLAN

CHIEF FINANCIAL OFFICER
(CFO)



JACQUELYN BENEBY

CHIEF TALENT AND
FACILITIES OFFICER (CTFO)

*Mrs. Jacquelyn Beneby ended her term in office as Chief Talent and Facilities Officer December 2018.

UPDATE

MANAGEMENT DISCUSSION & ANALYSIS

Health is among the most fundamental determinants of happiness, economic productivity, and societal well-being. It is in all of our best interest to make health outcomes a national priority. A healthier Bahamas is beneficial to all.

The NHIA is working together to make The Bahamas a better place to live by expanding the availability of quality and affordable healthcare services. During financial year 2017/18, the NHIA has focused on supporting beneficiaries in a dignified and caring manner. The focus in 2017/18 has been to build internal human resources and systems capacity, improve beneficiary service standards and develop a future vision for NHI in the Bahamas

By focusing on our strengths, beneficiary population and the introduction of “A Shared Responsibility” the National Health Insurance Authority has achieved a shared vision across a broad range of stakeholders. Together we continue to implement primary care services as the foundation of care delivery that is patient-centered through changes informed by the best available evidence while ensuring we get value for the money we invest in services.

We have completed the development of our proposed strategic plan. This “Shared Responsibility” Plan has a high chance of success, as we have worked closely over many months with a broad range of stakeholders to ensure alignment as we strive to improve beneficiary health and the healthcare system. The NHIA Plan leverages current public and private sector investments in healthcare reform initiatives, such as our country's private health insurance industry, healthcare professionals, health promotion and prevention efforts. We are forming a collaborative community of stakeholders across The Bahamas with a shared commitment to make this plan a success.

The key to success for the next few years will be:

- Develop a new framework for increasing Health Insurance Coverage in The Bahamas
- Completing the plan to expansion of our current benefits package to include “High-Cost Care” conditions
- Provide businesses with an affordable option to provide basic healthcare coverage for their employees.
- Define and implement the NHIA Health and Wellness Program
- Explore the viability of a sugary drinks tax to fund the
- Continue to work closely with key stakeholders.”

Our vision is to achieve the above through developing a patient-centered service model health that results in health improvements for Bahamians while eliminating health inequities; improving access and quality. The improved health care experience we seek to implement will empower individuals to participate in their health and healthcare actively.

Graham Whitmarsh
Managing Director & CEO

ABOUT NHIA

BUILDING AND IMPROVING THE AFFORDABILITY OF A MORE SUSTAINABLE HEALTH CARE SYSTEM.

We are deeply committed to building trusting partnerships with clinicians, recognizing the critical role they play in helping their patients our members achieve their best health. As the industry increasingly shifts to a focus on value, our objective is to be a dependable partner to clinicians in evolving incentives from treating health episodically to managing health holistically.

A key area of focus for us is to make it easier for clinicians to improve the health of their patients/our members. We do this by supporting them with resources, and by extending the use of clinical programs that enable connectivity between a patient's health and lifestyle. By working to create seamless, integrated work flows and processes, we strive to minimize complexity and friction for clinicians so they can focus on managing and improving health.



35,731
ENROLLED
BENEFICIARIES



37
REGISTERED HEALTH
CARE PROVIDERS

Statement numbers as of June 30, 2018



45,821
ENROLLED
BENEFICIARIES



51
REGISTERED HEALTH
CARE PROVIDERS

Numbers as of December 13, 2018



**BAKER TILLY
GOMEZ**
CHARTERED ACCOUNTANTS

The Deanery
28 Cumberland Street
P.O. Box N-1991
Nassau, Bahamas
Tel: +1 (242) 356-4114
Fax: +1 (242) 356-4125
Email: info@btgomez.com
Website: www.btgomez.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
NATIONAL HEALTH INSURANCE AUTHORITY

Opinion

We have audited the financial statements of National Health Insurance Authority ("the Authority"), which comprise the statement of financial position as at June 30, 2018, and the statements of operations, changes in accumulated fund and cash flows for the period from April 24, 2017 (date of establishment) to June 30, 2018, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at June 30, 2018, and its financial performance and its cash flows for the period from April 24, 2017 (date of establishment) to June 30, 2018 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in The Bahamas, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

The Board of Directors is responsible for overseeing the Authority's financial reporting process.



an independent member of
**BAKER TILLY
INTERNATIONAL**

INDEPENDENT AUDITORS' REPORT (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

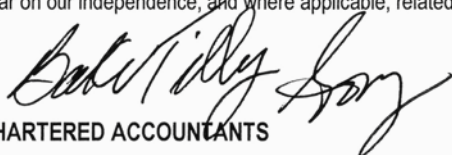
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' 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 the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We 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 we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



CHARTERED ACCOUNTANTS

October 19, 2018
Nassau, Bahamas

NATIONAL HEALTH INSURANCE AUTHORITY

Statement of Financial Position

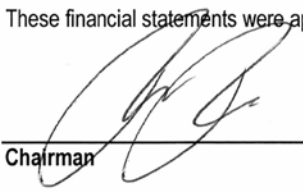
June 30, 2018

(Expressed in Bahamian dollars)

	2018
ASSETS	
Current assets	
Cash on hand and at bank (Note 4)	\$2,224,184
Government grant receivable (Notes 5, 9)	3,000,000
Accounts receivable	4,442
Prepaid insurance	1,205
	<u>5,229,831</u>
Fixed assets (Note 6)	111,968
Intangible assets (Note 7)	164,802
	<u>164,802</u>
Total assets	<u>\$5,506,601</u>
LIABILITIES AND ACCUMULATED FUND	
Liabilities	
Current liabilities	
Accounts payable and accrued expenses (Note 8)	\$ 180,422
	<u>180,422</u>
Accumulated fund	5,326,179
	<u>5,326,179</u>
Total liabilities and accumulated fund	<u>\$5,506,601</u>

See accompanying Notes to Financial Statements. See Independent Auditors' Report on pages 1 and 2.

These financial statements were approved on behalf of the Board on October 19, 2018 and signed on its behalf by:



Chairman



Director

NATIONAL HEALTH INSURANCE AUTHORITY

Statement of Operations

For the period from April 24, 2017 (date of establishment) to June 30, 2018

	2018
INCOME	
Government grants (Notes 9, 13)	\$14,000,000
EXPENSES	
Provider care benefits (Note 10)	5,978,224
Payroll and related benefits (Note 11)	1,115,253
Consultancy services	472,316
Publication of notices and advertising	434,114
Operation of facilities (Note 12)	327,644
Directors' remuneration (Note 13)	149,300
Office supplies and materials	80,347
Other charges	50,063
Professional fees	18,350
Travel	16,815
Rent	15,000
Bank charges	8,295
Depreciation (Note 6)	8,100
	8,673,821
NET INCOME AND TOTAL COMPREHENSIVE INCOME	\$ 5,326,179

See accompanying Notes to Financial Statements. See Independent Auditors' Report on pages 1 and 2.

NATIONAL HEALTH INSURANCE AUTHORITY

Statement of Changes in Accumulated Fund

For the period from April 24, 2017 (date of establishment) to June 30, 2018

	2018
ACCUMULATED FUND AS AT APRIL 24, 2017	\$ -
Total comprehensive income	5,326,179
ACCUMULATED FUND AS AT JUNE 30, 2018	\$5,326,179

See accompanying Notes to Financial Statements. See Independent Auditors' Report on pages 1 and 2.

NATIONAL HEALTH INSURANCE AUTHORITY

Statement of Cash Flows

For the period from April 24, 2017 (date of establishment) to June 30, 2018

	2018
Cash flows from operating activities	
Net income	\$5,326,179
Adjustment to reconcile net income to net cash provided by operating activities:	
Depreciation	8,100
Cash provided by operating activities before changes in operating assets and liabilities	5,334,279
Increase in operating assets:	
Government grant receivable	(3,000,000)
Accounts receivable	(4,442)
Prepaid insurance	(1,205)
Increase in operating liabilities:	
Accounts payable and accrued expenses	180,422
Net cash provided by operating activities	2,509,054
Cash flows from investing activities:	
Acquisitions of fixed assets	(120,068)
Cost of intangible assets	(164,802)
Net cash used in investing activities	(284,870)
Net increase in cash and cash equivalents	2,224,184
Cash and cash equivalents, beginning of period	-
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$2,224,184
Represented by:	
Cash on hand	\$ 338
Cash at bank	2,223,846
	\$2,224,184

See accompanying Notes to Financial Statements. See Independent Auditors' Report on pages 1 and 2.

NATIONAL HEALTH INSURANCE AUTHORITY

Notes to Financial Statements

June 30, 2018

1. GENERAL

National Health Insurance Authority ("the Authority") is a statutory body established in the Commonwealth of The Bahamas pursuant to the provisions of the National Health Insurance Act, 2016 ("the Act").

The functions of the Authority, as mandated by the Act, are as follows:

- To establish and implement a national health insurance plan ("the Plan") to facilitate the provision of accessible, affordable, equitable and quality healthcare services to all eligible persons;
- To establish and implement mechanisms for quality assurance in the delivery of healthcare and wellness benefits and services under the Plan;
- To promote improved methods and levels of efficiency in the delivery of health care;
- To enroll all persons eligible to enroll and receive benefits under the Plan;
- To register and oversee all providers and administrators and wellness benefits and services under the Plan;
- To set the terms of all agreements with providers and administrators including setting the rates of payment and establishing the risk adjustment mechanism;
- To manage, control and keep under constant review the national health insurance fund and to supervise and control expenditures therefrom.

As at June 30, 2018, the number of enrollees in the Plan total 35,731. The Authority commenced its operations on April 24, 2017.

The registered office of the Authority is situated at the Teachers & Salaried Workers Credit Union building, East Street South, P.O. Box N-3212, Nassau, Bahamas.

These financial statements were authorized to be issued by the Board of Directors on October 19, 2018.

2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS

At the date of these financial statements, the following standards and amendments to the existing standards issued by the International Accounting Standards Board ("the IASB") have not been applied in these financial statements as they are not yet effective:

IFRS 16	-	Leases – effective from January 1, 2019
IFRS 40 (amendments)	-	Transfers of Investment Property – effective from July 1, 2018

The Directors have concluded that the adoption of such standards and amendments is unlikely to have a significant impact on the Authority's financial statements.

NATIONAL HEALTH INSURANCE AUTHORITY

Notes to Financial Statements

June 30, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB. The accounting policies set out below have been applied consistently during the period presented.

b) Basis of preparation

These financial statements have been prepared on the historical cost basis. The financial statements are expressed in Bahamian dollars which is the functional and reporting currency of the Authority.

c) Use of estimates and judgments

The preparation of financial statements in compliance with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas involving estimates and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is described in the following notes:

Note 3(d)	-	Financial assets and liabilities
Note 14	-	Fair value of financial instruments
Note 15	-	Financial risk management

d) Financial assets and liabilities

The Authority classifies its financial assets as loans and receivables. The classification depends on the nature and purpose of the financial assets. Management determines the classification at the time of initial recognition.

• Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, except those that the Authority intends to sell in the short-term or that are designated as at fair value through profit or loss or available-for-sale. Loans and receivables are initially measured at fair value and subsequently re-measured at amortized cost using the effective interest method less impairment losses, if any. Balances included in this classification are cash on hand and at bank, government grant receivable and accounts receivable.

NATIONAL HEALTH INSURANCE AUTHORITY

Notes to Financial Statements

June 30, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Financial assets and liabilities (continued)

Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand and at bank.

Government grant receivable

Government grant receivable represents an amount receivable from the Government at the reporting date.

Impairment

The carrying amounts of the Authority's financial assets not carried at fair value through profit or loss are reviewed at each reporting date to determine whether there is any objective evidence of impairment. A financial asset is impaired if its carrying amount exceeds its estimated recoverable amount. Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the assets and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognized in the statement of operations. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized.

Recognition of financial assets and liabilities

The Authority recognizes financial assets and financial liabilities on the day it becomes a party to the contractual provisions of the instruments.

Derecognition of financial assets and liabilities

The Authority derecognizes financial assets when the contractual rights to receive cash flows from the assets expire or have been transferred and the Authority has transferred substantially all the risks and rewards of ownership of the assets or the Authority has transferred control of the asset. A financial liability is derecognized when the obligation is discharged, cancelled or expires.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

NATIONAL HEALTH INSURANCE AUTHORITY

Notes to Financial Statements

June 30, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Financial assets and liabilities (continued)

Financial liabilities are classified as other financial liabilities.

- Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently re-measured at amortized cost using the effective interest method, with interest expense being recognized on an effective yield basis. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period. Balances included in this classification are accounts payable and accrued expenses.

e) Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets as follows:

Furniture, fixtures and equipment	- 3 - 5 years
Motor vehicle	- 5 years

Repairs and maintenance are expensed as incurred. Subsequent expenditure is capitalized whenever it is readily determinable that the future economic benefits associated with the expenditure will flow to the Authority. When assets are retired or otherwise disposed of, the costs and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the statement of operations.

f) Intangible assets

Intangible assets, comprising computer software under development, are carried at cost.

On completion and available for use, amortization will be calculated on a straight-line basis over the estimated useful life of the asset for five (5) years.

g) Income and expenses recognition

- Government grants

Government grants represent amounts from the Government of The Bahamas ("the Government") allocated for this period, to underwrite the operating expenses of the Authority and are recognized in the statement of operations as income in the period which they are received or there is reasonable assurance that it will be received from the Government.

NATIONAL HEALTH INSURANCE AUTHORITY

Notes to Financial Statements

June 30, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Income and expenses recognition (continued)

• Provider care benefits expenses

Payments to contracted healthcare providers are calculated on the following basis:

a) Fees for services:

Fees for services are recognized based on the covered services at rates established by the Authority and are paid retroactively based on the volume and nature of the patient services provided.

b) Capitation:

Capitation is a payment arrangement for health care service providers. NHI pays physicians a set amount for each enrolled person assigned to them, per year, but paid in monthly installments while the patient remains registered with the physician, whether or not the person seeks care. The amount of remuneration is based on the average expected health care utilization of the patient, then adjusted to risk associated with each patient. NHI pays a base amount of \$150 per patient per year which is then adjusted for patient gender, age and location.

c) Bundles:

Bundles are packages of care that involve multiple physician visits with associated other care costs that are combined and paid for together. NHI has two bundles, Maternal Care and Infant Care. Maternal Care bundles are adjusted for case complexity. Infant Care covers the child from 0 -24 months and includes immunizations.

• Other expenses

Other expenses are recognized on an accrual basis.

h) Foreign currency transactions and balances

Foreign currency transactions are translated into Bahamian dollars using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in currencies other than the Bahamian dollar are retranslated into Bahamian dollars at the reporting date at the applicable exchange rates prevailing at that date. Non-monetary assets and liabilities are translated at historic rates. Exchange gains and losses are included in the statement of operations.

i) Taxes

There are no income taxes imposed on the Authority in the Commonwealth of The Bahamas.

On January 1, 2015, The Value Added Tax (VAT) Bill and Regulations became effective in the Commonwealth of The Bahamas. The Authority is treated as a resident entity and therefore subject to VAT for most taxable transactions. However, the Authority's revenue from government grants and subsidy is exempt from output VAT. Any input VAT the Authority incurs with regards to its VAT- attracting purchases of goods and services is charged and recorded as an expense against operations.

NATIONAL HEALTH INSURANCE AUTHORITY

Notes to Financial Statements

June 30, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)j) Related party transactions

All government-owned agencies and entities, the directors and key management personnel are considered related parties.

4. CASH AND CASH EQUIVALENTS

As at June 30, 2018, cash and cash equivalents consists of the following:

	2018
Cash on hand	\$ 338
Cash at bank	
RBC Royal Bank (Bahamas) Limited - current account	2,223,846
	\$2,224,184

5. GOVERNMENT GRANT RECEIVABLE

As at June 30, 2018, the amount receivable from the Government is \$3,000,000.

6. FIXED ASSETS

As at June 30, 2018, fixed assets consist of the following:

	Motor vehicle	Furniture, fixtures and equipment	Total
Cost:			
Balance, April 24, 2017	\$ -	\$ -	\$ -
Acquisitions during the period	49,995	70,073	120,068
Balance, June 30, 2018	49,995	70,073	120,068
Accumulated depreciation:			
Balance, April 24, 2017	-	-	-
Charge for the period	1,786	6,314	8,100
Balance, June 30, 2018	1,786	6,314	\$ 8,100
Net book value, June 30, 2018	\$48,209	\$63,759	\$111,968

NATIONAL HEALTH INSURANCE AUTHORITY

Notes to Financial Statements

June 30, 2018

7. INTANGIBLE ASSETS

During the period, the Authority commenced an IT solution project including database hosting, platform hosting and all other related IT system development work. At the reporting date, the project was not yet completed.

As at June 30, 2018, computer software development costs incurred amounted to \$164,802.

8. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

As at June 30, 2018, accounts payable and accrued expenses comprise:

	2018
Accounts payable	\$165,627
Accrued professional fees	14,795
	<u>\$180,422</u>

9. GOVERNMENT GRANTS

During the period, Government grants recognized as income in the statement of operations amounted to \$14,000,000 of which \$3,000,000 is receivable as at June 30, 2018.

10. PROVIDER CARE BENEFITS

The Authority, as mandated by the Act, registered and processed provider care benefits during the period. For the period ended June 30, 2018, the Authority paid \$5,978,224 to 37 registered health-care providers.

11. PAYROLL AND RELATED BENEFITS

Payroll and related benefits for the period ended June 30, 2018 are comprised of the following:

	2018
Payroll expense (Note 13)	\$ 988,616
National insurance	70,600
Other allowance and benefits	56,037
	<u>\$1,115,253</u>

NATIONAL HEALTH INSURANCE AUTHORITY

Notes to Financial Statements

June 30, 2018

12. OPERATION OF FACILITIES

Operation of facilities for the period ended June 30, 2018 are comprised of the following:

	2018
Security services	\$207,088
Computers and internet	60,889
Repairs and maintenance	33,274
Utilities	23,019
Telephone	3,374
	<u>\$327,644</u>

13. RELATED PARTY BALANCES AND TRANSACTIONS

The Authority, in the regular conduct of its business, has transactions with key management personnel, directors and government agencies.

Included in the statement of operations are the following transactions:

- i) Government grants amounting to \$14,000,000.
- ii) Key management personnel compensation of \$118,870 and directors' remuneration of \$149,300.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of the Authority's financial assets and liabilities approximate their carrying value at the reporting date for one or more of the following reasons:

- (i) Short-term maturities.
- (ii) Interest rates approximate market rates.
- (iii) Carrying values approximate fair values.

15. FINANCIAL RISK MANAGEMENT

The Authority's activities may expose it to a variety of financial risks: market risk (including, interest rate risk, foreign currency risk and other price risk), credit risk and liquidity risk.

a) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial assets which potentially expose the Authority to credit risk consist of cash at bank, government grant receivable and accounts receivable.

NATIONAL HEALTH INSURANCE AUTHORITY

Notes to Financial Statements

June 30, 2018

15. FINANCIAL RISK MANAGEMENT (continued)

a) Credit risk (continued)

In deciding whether to enter into a transaction with a proposed counterparty, management assesses the risk to the Authority in dealing with the proposed counterparty and the likelihood of the proposed counterparty not being able to fulfill obligations. In the event that any counterparty fails to pay any amount due, at the option of management, all legal remedies will be pursued.

At June 30, 2018, the maximum exposure to credit risk is the carrying amount of the financial assets as set out below:

	2018
Financial assets:	
Cash at bank	\$2,223,846
Government grant receivable	3,000,000
Accounts receivable	4,442
	\$5,228,288

b) Liquidity risk

Liquidity risk is the risk that the Authority will encounter difficulty in generating sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. The Authority manages liquidity risk by maintaining adequate funds, continuously monitoring forecasts and actual cash flows. Ultimate responsibility for liquidity risk management rests with the Authority's Board of Directors.

The following table details the Authority's expected contractual maturities for its financial liabilities as at June 30, 2018 and indicates the undiscounted cash flows of such financial liabilities based on the earliest date on which the Authority can be required to pay. The table includes only principal cash flows.

	2018		
	1 - 30 days	Over 30 days	Total
Financial liabilities			
Other liabilities			
Accounts payable and accrued expenses	\$180,422	\$ -	\$180,422

NATIONAL HEALTH INSURANCE AUTHORITY

Notes to Financial Statements

June 30, 2018

15. FINANCIAL RISK MANAGEMENT (continued)c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices such as currencies and interest rates:

(i) Foreign currency risk

Foreign currency risk arises from the effects of fluctuations of foreign currencies on the fair value or future cash flows of financial assets and liabilities. The Authority has no exposure to foreign currency risk as its transactions are denominated in Bahamian dollars.

(ii) Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities. Accounts receivable bear no interest and therefore are not exposed to interest rate risk. Therefore, the Authority's exposure to interest rate risk is minimal.

16. CAPITAL MANAGEMENT

The Authority manages its capital to ensure that the entity will be able to continue as a going concern. The capital structure of the Authority is represented by its accumulated fund. The Authority is not subject to externally imposed capital requirements.

17. SUBSEQUENT EVENTS

- (i) On July 5, 2018, the government grant receivable of \$3,000,000 was paid.
- (ii) The Government approved funding of \$30 million for the Authority in its fiscal budget of 2018/2019.

See Independent Auditors' Report on pages 1 and 2.

JUNE 30, 2018

ANNUAL REPORT

NATIONAL HEALTH INSURANCE AUTHORITY



**National Health
Insurance Authority**

ADDRESS TO:

National Health Insurance Authority
East Street & Purpose Way;
Nassau, N.P., Bahamas

CONTACT

Phone: (242) 396-8500
E-mail: info@nhibahamas.gov.bs
Website: www.nhibahamas.gov.bs