



JUNE 30, 2019

# ANNUAL REPORT

NATIONAL HEALTH  
INSURANCE AUTHORITY



**National Health  
Insurance Authority**

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## CHAIRMAN'S STATEMENT

June 30th, 2019

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 2019 Annual Report**

The Minister of Health, Dr. The Honorable Duane Sands the first board of the National Health Insurance Authority's was appointed on July 31, 2017. The period ended June 30, 2019 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, 2019, include the following:

- Continuing the work of delivering modern, affordable and accessible health care to Bahamians.
- Growing the number of enrolled beneficiaries to over fifty-five thousand by June 30, 2019.
- The expansion of the benefits package to include laboratory services both in Nassau and the Family Islands.
- Publication of the policy proposal for the growth of NHI to high-cost care services released on November 1, 2018.
- Completion of extensive public consultation of the future of NHI, which included 14 meetings, public town halls over 100 days.
- Acquisition of an Electronic Health Records system that will be launched in October 2019.

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, commitment and dedication to the NHIA goals during the ended period of June 30, 2018. Everyone at NHIA is deeply committed to building trusting partnerships with key stakeholders, including clinicians, laboratories, Ministry of Health, Public Hospitals Authority, Department of Public Health and the Pan American Health Organization (PAHO). As NHIA increasingly shifts to a focus on quality and value, our objective is to be a dependable collaborative partner.

Sincerely yours,

A stylized, handwritten signature in black ink, appearing to read 'Dr. Roberts'.

Dr. Robin Roberts  
Chairman

# NHIA BOARD

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

Dr. Robin Roberts	<b>CHAIRMAN</b>
Judith A. Whitehead	<b>DEPUTY CHAIRMAN</b>
Terneille Burrows	<b>MEMBER</b>
Barbara Wilson	<b>MEMBER</b>
Venentia Cambridge who replaced Emmanuel Komolafe	<b>MEMBER</b>
Montgomery Braithwaite	<b>MEMBER</b>
Dr. Marcus Cooper who replaced Dr. Sy Pierre	<b>MEMBER</b>
Bernard Evans	<b>MEMBER</b>
Leyvon Miller	<b>MEMBER</b>
Dr. Pearl McMillan (Chief Medical Officer, Ministry of Health)	<b>EX-OFFICIO MEMBER</b>
Graham Whitmarsh (CEO/Managing Director, NHIA)	<b>EX-OFFICIO MEMBER</b>
Dr. Nicola Virgill-Rolle (Director, National Insurance Board)	<b>EX-OFFICIO MEMBER</b>
Lilian Quant-Forbes (Acting Director Social Services)	<b>EX-OFFICIO MEMBER</b>
Michele Fields (Superintendent, Insurance Commission of The Bahamas)	<b>EX-OFFICIO MEMBER</b>

## 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, the 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.

## NHI EXECUTIVES



**GRAHAM WHITMARSH**

MANAGING DIRECTOR & CEO



**PATRICK HANLAN**

CHIEF FINANCIAL OFFICER  
(CFO)

# ABOUT NHI

## 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 workflows and processes, we strive to minimize complexity and friction for clinicians so they can focus on managing and improving health.

# VISION STATEMENT

**Leading** the way in providing **access to affordable, quality healthcare** that Bahamians **deserve**.

# MISSION STATEMENT

We are transforming the healthcare system upon which the future well-being of Bahamians depend, by putting patients at the center of every decision we make.

## WHY NHI

**LACK OF ACCESS:** 70% of Bahamians do not have access to coverage.

Coverage options are not affordable and have high out of pocket costs, resulting in late presentation and leading to untold suffering and death.

**NON-COMMUNICABLE DISEASE EPIDEMIC:** Global leaders.

50% of population obese; 16% with diabetes

Preventable, premature deaths make up 1/3 of all Bahamian deaths

**UNSUSTAINABLE HEALTH SECTOR FUNDING:** Lack of value-based reimbursement.

Massive and growing demand for health services, but limited resources and innovation to funding mechanisms to accomplish shared objectives

**FALLING BEHIND GLOBALLY:** Dropped from 55th to 65th in global life expectancy.

As our regional economic peers improve, our relative health system performance continues to drop

*According to a new survey conducted by the NHIA. The survey featured 5,122 beneficiaries and took place between July and November 2018.*

“

**95%**

of Bahamians strongly agree with the statement:

**Bahamians should have  
Access to Universal  
Health Care**

”

# PRINCIPLES OF NHI

## 1. AFFORDABILITY, ACCESS & PHASED APPROACH

Low premium standard health benefit with no co-pays or deductibles

## 2. SHARED RESPONSIBILITY

All contribute and Government covers those most in need

## 3. SUSTAINABILITY & RELIABILITY

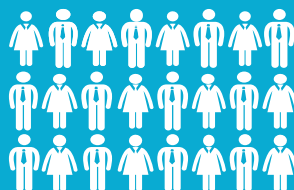
Strengthening public sector facilities and building PPPs

# REAFFIRMING OUR APPROACH



# 100

Day Consultation Period



# 550 +

Unique Participants

### Islands Visited:

New Providence  
Grand Bahama  
Exuma  
Abaco  
Eleuthera  
Andros  
Bimini



80+ STAKEHOLDERS  
Individually Met  
With

# 33



Formal Feedback Form Submissions

### STAKEHOLDER CONSULTATION

- Our proposal is stronger, more well-developed and appropriately shares responsibility among stakeholders.
- The key theme coming out of the consultations was a re-affirmation of the principle framework for the original proposed strategy.



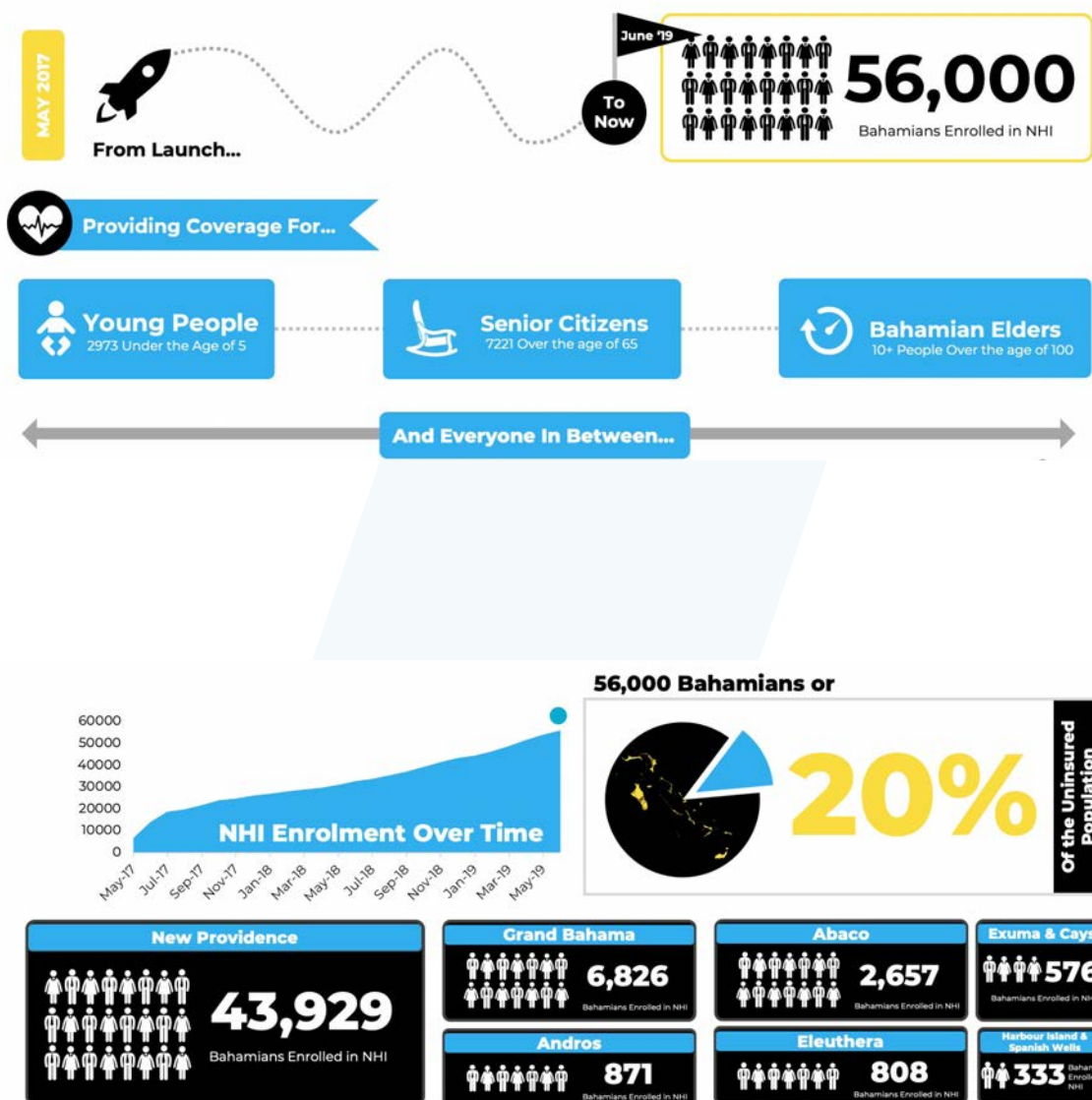
# 14

Town Halls



# OUTCOMES **ACHIEVED**

NHI continues to experience strong growth across the archipelago.

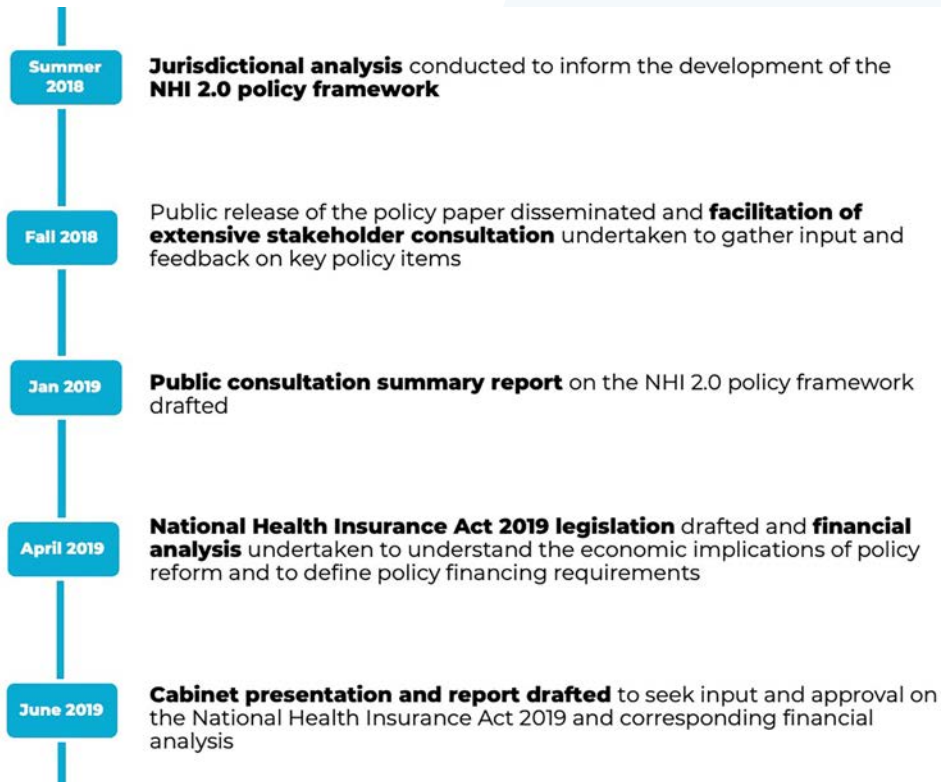


# Policy & Legislation

## Key Accomplishments

### Policy Development through Community Co-Creation

The public consultation period for “NHI 2.0” represents one of the largest stakeholder consultations in Bahamian history.

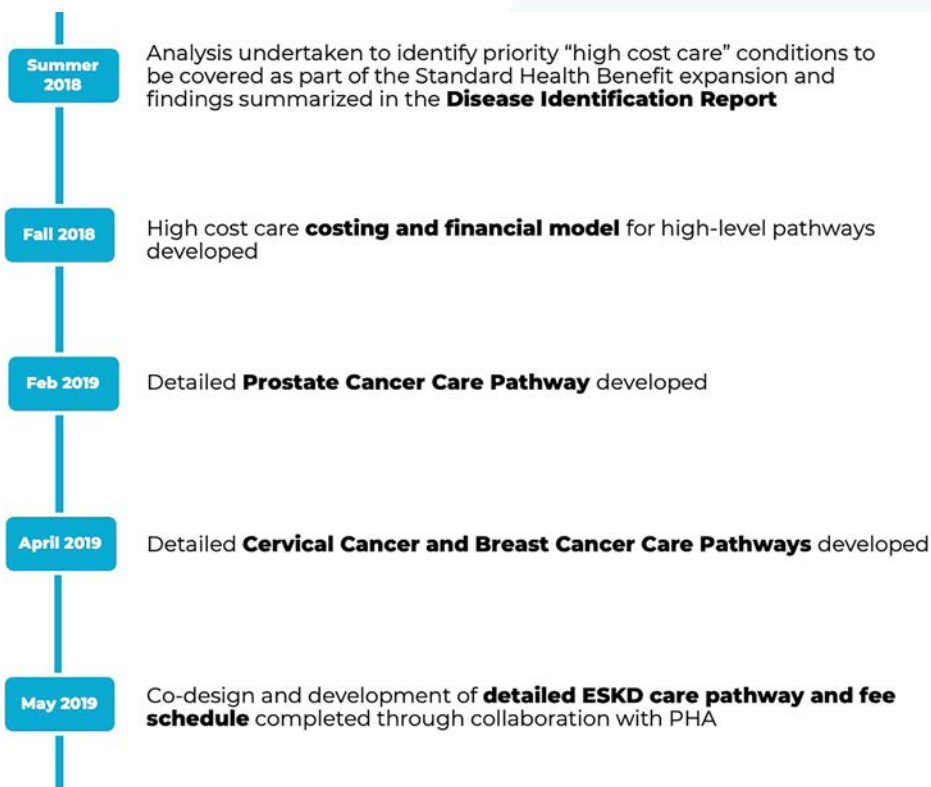


# Health Benefit Design & Financing

## Key Accomplishments

### Localized Benefit Design

Health benefit design for the SHB expansion was informed by leading international research and tailored to the local Bahamian context.

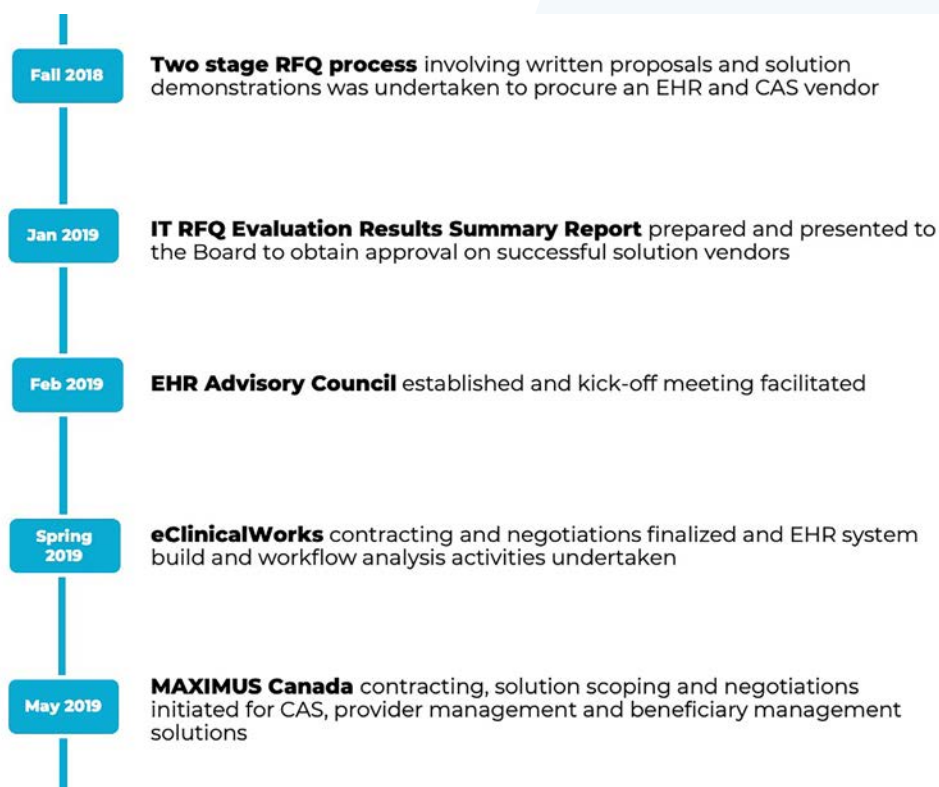


# System Implementation

## Key Accomplishments

### Stakeholder Engagement throughout System Implementation

Patients and providers have been engaged in all stages of system implementation from vendor selection to informing system design and build decisions.



## MANAGING DIRECTOR'S REPORT

Better health is central to human well-being and happiness. It also makes an important contribution to economic development, as healthy populations live longer, are more productive and reduce the demands on the healthcare system. The Bahamas' ability to make available quality health services for its people will enhance economic growth to the benefit of all Bahamians.

The NHIA is working to transform the healthcare system by putting patients at the center of every decision we make. During the financial year 2018/19, the NHIA has continued to take steps in leading the way in providing affordable, quality healthcare to Bahamians. The focus in 2018/19 has been to develop the policy framework for the expansion of NHI to high cost care, expand the number of enrolled beneficiaries, acquire an Electronic Health Record to support the expansion of our quality programs and complete the build out of the NHIA's internal capabilities and organization.

In November 2018 we completed the first NHI Patient Satisfaction Survey, we talked to 5,122 beneficiaries and learned some notable results:

- Over 95% of beneficiaries strongly agreed (62.5%) or agreed (34.08%) with the statement, "My NHI doctor cares about my health"
- When asked how long it took to get an appointment with their NHI doctor, over 95% of beneficiaries responded there was "no appointment required" (47.22%) or "1-7 days" (48.59%)
- When asked to rate the NHI doctor's office/facility in which they received care, the majority of beneficiaries responded, "very good" (52.6%) or "good" (43.4%)

The NHIA is now ready to move to expand services to include high cost care. After extensive public consultations we are confident we understand the aspirations, desire and need for universal healthcare in the Bahamas. The management and staff at NHI are committed to:

- The highest levels of customer service through enhancing every interaction with our beneficiaries
- Expanding the NHI quality program to ensure quality, accessible services
- Implementing the technology require to manage quality and ensure value
- Implementing a patient centered care model for all NHI services

The NHI management and staffs' approach is based on our 5 core values; Passionate, Progressive, Partnership, integrity and respect. These values guide everything we do as we lead the way in providing access to the affordable, quality healthcare that Bahamians deserve.

Graham Whitmarsh  
Managing Director & CEO

## 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, 2019, and the statements of operations, changes in accumulated fund and cash flows for the year then ended 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, 2019, and its financial performance and its cash flows for the year then ended 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.



**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**

November XXX, 2019  
Nassau, Bahamas

**NATIONAL HEALTH INSURANCE AUTHORITY**

## Statement of Financial Position

June 30, 2019

(Expressed in Bahamian dollars)

	2019	2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash on hand and at bank (Note 4)	\$2,689,027	\$2,224,184
Other receivable	8,454	-
Prepaid insurance	3,119	1,205
Government grant receivable (Notes 5, 9)	-	3,000,000
Accounts receivable	-	4,442
	2,700,600	5,229,831
<b>Fixed assets (Note 6)</b>	228,095	111,968
<b>Intangible assets (Note 7)</b>	208,305	164,802
<b>Total assets</b>	<b>\$3,137,000</b>	<b>\$5,506,601</b>
<b>LIABILITIES AND ACCUMULATED FUND</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses (Note 8)	\$ 590,274	\$ 180,422
<b>Accumulated fund</b>	2,546,726	5,326,179
<b>Total liabilities and accumulated fund</b>	<b>\$3,137,000</b>	<b>\$5,506,601</b>

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 November XX, 2019 and signed on its behalf by:

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Director



**NATIONAL HEALTH INSURANCE AUTHORITY**

## Statement of Operations

For the year ended June 30, 2019, with corresponding figures for the period from the date of establishment (April 24, 2017) to June 30, 2018

	2019	2018
<b>INCOME</b>		
Government grants (Notes 9, 14)	\$ 13,333,824	\$14,000,000
Other income	2,334	-
<b>Total income</b>	<b>13,336,158</b>	<b>14,000,000</b>
<b>EXPENSES</b>		
Provider care benefits (Note 10)	10,626,454	5,978,224
Consultancy services (Note 11)	2,336,201	472,316
Payroll and related benefits (Note 12)	1,649,577	1,115,253
Operation of facilities (Note 13)	769,313	327,644
Other charges	227,905	50,063
Directors' remuneration (Note 14)	153,000	149,300
Publication of notices and advertising	98,346	434,114
Travel	85,796	16,815
Office supplies and materials	67,321	80,347
Depreciation (Note 6)	36,326	8,100
Amortization (Note 7)	23,145	-
Bank charges	23,877	8,295
Professional fees	18,350	18,350
Rent	-	15,000
	<b>16,115,611</b>	<b>8,673,821</b>
<b>NET (LOSS)/INCOME AND TOTAL COMPREHENSIVE (LOSS)/INCOME</b>	<b>\$(2,779,453)</b>	<b>\$ 5,326,179</b>

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 year ended June 30, 2019, with corresponding figures for the period from the date of establishment (April 24, 2017) to June 30, 2018

	<b>Accumulated fund</b>
<b>BALANCE AS AT APRIL 24, 2017</b>	\$ -
Total comprehensive income	5,326,179
<b>BALANCE AS AT JUNE 30, 2018</b>	<b>\$ 5,326,179</b>
Total comprehensive loss	(2,779,453)
<b>BALANCE AS AT JUNE 30, 2019</b>	<b>\$ 2,546,726</b>

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 year ended June 30, 2019, with corresponding figures for the period from the date of establishment (April 24, 2017) to June 30, 2018

	2019	2018
<b>Cash flows from operating activities</b>		
Net (loss)/income	\$(2,779,453)	\$5,326,179
Adjustment to reconcile net (loss)/income to net cash provided by operating activities:		
Depreciation	36,326	8,100
Amortization	23,145	-
<b>Cash provided by operating activities before changes in operating assets and liabilities</b>	(2,719,982)	5,334,279
<b>Increase/(decrease) in operating assets:</b>		
Government grant receivable	3,000,000	(3,000,000)
Accounts receivable	4,442	(4,442)
Prepaid insurance	(1,914)	(1,205)
Other receivable	(8,454)	-
<b>Increase in operating liabilities:</b>		
Accounts payable and accrued expenses	409,852	180,422
<b>Net cash provided by operating activities</b>	683,944	2,509,054
<b>Cash flows from investing activities:</b>		
Acquisitions of fixed assets	(161,902)	(120,068)
Cost of intangible assets	(66,648)	(164,802)
Disposal of fixed assets	9,449	-
<b>Net cash used in investing activities</b>	(219,101)	(284,870)
<b>Net increase in cash and cash equivalents</b>	464,843	2,224,184
Cash and cash equivalents, beginning of period	2,224,184	-
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	2,689,027	\$2,224,184
<b>Represented by:</b>		
Cash on hand	\$ 740	\$ 338
Cash at bank	2,688,287	2,223,846
	\$2,689,027	\$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, 2019

### 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, 2019, the number of enrollees in the Plan total 58,726 (2018: 35,731).

The registered office of the Authority is situated at the Teachers & Salaried Workers Co-operative 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 November XX, 2019.

### 2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The accounting policies adopted in the preparation of the Authority's financial statements are consistent with those of the previous financial period except for the adoption of IFRS 9, *Financial Instruments* and IFRS 15, *Revenue from Contracts with Customers* effective January 1, 2018, which replaces IAS 39, *Financial Instruments: Recognition and Measurement* and IAS 18, *Revenue*. As permitted by the transition provisions of these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards. Information about the changes in the policies and impact of their adoption is disclosed in Note 3, as appropriate.

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 3	-	Definition of a Business - effective from January 1, 2020
(amendments)		
IFRS 17	-	Insurance Contracts - effective from January 1, 2021

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, 2019

### 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 15	-	Fair value of financial instruments
Note 16	-	Financial risk management

d) Financial assets – classification and subsequent measurement

Policy applicable from January 1, 2018

On initial recognition, the Authority classifies its financial assets as amortized cost. The classification depends on the Authority's business model and the asset's contractual cash flow characteristics.

• Financial assets at amortized cost

A financial asset is measured at amortized cost using the effective interest method less any allowance for impairment if it is held in a business model whose objective is to hold the asset to collect the contractual cash flows, and its contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Balances included in this classification are cash on hand and at bank, and other receivable.



## NATIONAL HEALTH INSURANCE AUTHORITY

### Notes to Financial Statements

June 30, 2019

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### d) Financial assets – classification and subsequent measurement (continued)

##### Policy before January 1, 2018

##### • Loans and receivable

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 and other receivable.

The following table explains the effect of adopting IFRS 9 on the classification and carrying amounts of financial assets as at January 1, 2018 in the Authority's financial statements:

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Cash and cash equivalents	Loans and receivables	Amortized cost	\$ 2,224,184	\$ 2,224,184
Government grant receivable	Loans and receivables	Amortized cost	3,000,000	3,000,000
Account receivable	Loans and receivables	Amortized cost	4,442	4,442
			\$ 5,228,626	\$ 5,228,626

#### e) Cash and cash equivalents

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

#### f) Government grant receivable

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

#### g) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost.

##### (i) Policy applicable from January 1, 2018

The Authority recognizes loss allowances for ECLs on financial assets measured at amortized cost. The Authority measures loss allowances at an amount equal to lifetime ECLs, except for the following which are measured at 12-month ECLs:

- financial assets that are determined to have low credit risk at the reporting date; and
- other financial assets for which credit risk has not increased significantly since initial recognition.

## NATIONAL HEALTH INSURANCE AUTHORITY

Notes to Financial Statements

June 30, 2019

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### g) Impairment of financial assets (continued)

##### (i) Policy applicable from January 1, 2018 (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Authority considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Authority's historical experience and informed credit assessments and including forward-looking information.

Lifetime ECLs are the ECLs that result from default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Authority is exposed to credit risk.

At each reporting date, the Authority assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default; or
- it is probable that the borrower will enter bankruptcy or other financial reorganization.

##### (ii) Policy before January 1, 2018

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.

#### h) 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.

## NATIONAL HEALTH INSURANCE AUTHORITY

Notes to Financial Statements

June 30, 2019

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### i) 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.

#### j) 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.

#### k) Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The Authority classifies its financial liabilities 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.

#### l) 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	- 7 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.

#### m) Intangible assets

Intangible assets, comprising computer software under development, are carried at cost. Amortization is calculated on a straight-line basis over the estimated useful life of the asset for five (5) years.



## NATIONAL HEALTH INSURANCE AUTHORITY

Notes to Financial Statements

June 30, 2019

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### n) 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.

##### • Provider care benefits expenses

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

#### i) 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.

#### ii) Capitation:

Capitation is a payment arrangement for health care service providers. The Authority 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.

#### iii) Bundles:

Bundles are packages of care that involve multiple physician visits with associated other care costs that are combined and paid for together. The Authority 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.

#### n) 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.

**NATIONAL HEALTH INSURANCE AUTHORITY**

## Notes to Financial Statements

June 30, 2019

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**o) 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.

p) 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, 2019, cash and cash equivalents consists of the following:

	2019	2018
<b>Cash on hand</b>	\$ 740	\$ 338
<b>Cash at bank</b>		
RBC Royal Bank (Bahamas) Limited - current account	2,688,287	2,223,846
	<b>\$2,689,027</b>	<b>\$2,224,184</b>

**5. GOVERNMENT GRANT RECEIVABLE**

As at June 30, 2019, the amount receivable from the Government is \$Nil (2018: \$3,000,000).

## NATIONAL HEALTH INSURANCE AUTHORITY

### Notes to Financial Statements

June 30, 2018

#### 6. FIXED ASSETS

As at June 30, 2019, fixed assets consist of the following:

	Motor vehicle	Furniture, fixtures and equipment	Total
<b>Cost:</b>			
Balance, April 24, 2017	\$ -	\$ -	\$ -
Acquisitions during the period	49,995	70,073	120,068
Balance, July 01, 2018	49,995	70,073	120,068
Acquisitions during the year	43,600	118,302	161,902
Disposal during the year	-	(9,755)	(9,755)
Balance, June 30, 2019	93,595	178,620	272,215
<b>Accumulated depreciation:</b>			
Balance, April 24, 2017	-	-	-
Charge for the period	1,786	6,314	8,100
Balance, July 01, 2018	1,786	6,314	8,100
Charge for the year	12,332	23,994	36,326
Disposal during the year	-	(306)	(306)
Balance, June 30, 2019	14,118	30,002	44,120
<b>Net book value, June 30, 2019</b>	<b>\$79,477</b>	<b>\$148,618</b>	<b>\$228,095</b>
<b>Net book value, June 30, 2018</b>	<b>\$48,209</b>	<b>\$ 63,759</b>	<b>\$111,968</b>

#### 7. INTANGIBLE ASSETS

As at June 30, 2019, fixed assets consist of the following:

	Website development
<b>Cost</b>	
Balance at July 01, 2018	\$164,802
Addition during the year	66,648
Balance, June 30, 2019	231,450
<b>Accumulated amortization</b>	
Balance at July 01, 2018	-
Charge for the year	23,145
Balance, June 30, 2019	23,145
<b>Net book value, June 30, 2019</b>	<b>\$208,305</b>
<b>Net book value, June 30, 2018</b>	<b>\$164,802</b>

In the prior year, the Authority commenced an IT solution project including database hosting, platform hosting and all other related IT system development work. The project was completed in December 2018.

**NATIONAL HEALTH INSURANCE AUTHORITY**

Notes to Financial Statements

June 30, 2019

**8. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

As at June 30, 2019, accounts payable and accrued expenses comprise:

	2019	2018
Accounts payable	\$571,924	\$165,627
Accrued professional fees	18,350	14,795
	\$590,274	\$180,422

**9. GOVERNMENT GRANTS**

During the period, Government grants recognized as income in the statement of operations amounted to \$13,333,824 (2018: \$14,000,000)

**10. PROVIDER CARE BENEFITS**

The Authority, as mandated by the Act, registered and processed provider care benefits during the year. For the year ended June 30, 2019, the Authority paid \$10,626,454 to 51 (2018: \$5,978,224 to 37) registered health-care providers.

**11. CONSULTANCY SERVICES**

Consultancy services for the year ended June 30, 2019 are comprised of the following:

	Note	2019	2018
<b>KPMG:</b>			
Policy framework	(a)	\$1,418,553	\$ -
System implementation and support	(b)	469,788	-
Disbursement and expenses	(c)	146,009	-
Legislation framework	(d)	117,469	-
		2,151,819	-
<b>Other</b>		184,382	472,316
		\$2,336,201	\$ 472,316

During the year Authority engaged KPMG to provide support in implementing and operationalizing the new NHI program also known as NHIA 2.0.

**a) Policy Framework**

Supported the Authority in designing, costing, and implementing the specific services to be covered under the Standard Health Benefits package; support in the understanding of data requirements, monitoring and design of compliance mechanisms, and development of appropriate regulations associated with the employer mandate; assist in standing up and onboarding the risk equalization board, designing the mechanisms for collecting and adjudicating data, and identifying the high-level technology requirements for this collection/adjudication; provide overall project management support to the Project to help ensure resources are properly allocated, risks and issues are proactively identified and mitigated, target completion dates are adhered to, and the Authority's desired outcomes are met.

**NATIONAL HEALTH INSURANCE AUTHORITY**

Notes to Financial Statements

June 30, 2019

**11. CONSULTANCY SERVICES(continued)****b) Systems Implementation and Support**

Support the Authority with the implementation of its Claims Administration System ("CAS"), and ongoing support for the Electronic Health Record (EHR) upon its go-live and stabilization.

**c) Disbursements & Expenses**

Disbursements were charged at 5% plus and expenses covered travel and accommodation cost.

**d) Legislation Framework**

Assisted and support with the update and passing of the amendments to the NHI Act 2016, which is envisioned to reflect the revised policy framework, specifically the potential addition of the employer mandate and risk equalization mechanism.

**12. PAYROLL AND RELATED BENEFITS**

Payroll and related benefits for the year ended June 30, 2019 are comprised of the following:

	2018	2018
Payroll expense (Note 13)	\$1,548,677	\$ 988,616
National insurance	76,424	70,600
Other allowance and benefits	24,476	56,037
	<u>\$1,649,577</u>	<u>\$1,115,253</u>

**13. OPERATION OF FACILITIES**

Operation of facilities for the year ended June 30, 2019 are comprised of the following:

	2019	2018
Computers and internet	\$392,105	\$ 60,889
Security services	187,910	207,088
Telephone	105,741	3,374
Repairs and maintenance	55,121	33,274
Uniforms	20,674	-
Automobile	6,676	-
Utilities	1,086	23,019
	<u>\$769,313</u>	<u>\$327,644</u>



## NATIONAL HEALTH INSURANCE AUTHORITY

### Notes to Financial Statements

June 30, 2019

#### 14. 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 \$13,333,824.
- ii) Key management personnel compensation of \$196,142 and directors' remuneration of \$153,000.

#### 15. 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.

#### 16. 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.

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, 2019, the maximum exposure to credit risk is the carrying amount of the financial assets as set out below:

	2019	2018
<b>Financial assets:</b>		
Cash at bank	\$2,689,027	\$2,223,846
Other receivable	8,454	-
Government grant receivable	-	3,000,000
Accounts receivable	-	4,442
	<b>\$2,697,481</b>	<b>\$5,228,288</b>

## NATIONAL HEALTH INSURANCE AUTHORITY

Notes to Financial Statements

June 30, 2019

### 16. FINANCIAL RISK MANAGEMENT(continued)

#### 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, 2019 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.

	2019		
	1 - 30 days	Over 30 days	Total
<b>Financial liabilities</b>			
<b><u>Other liabilities</u></b>			
Accounts payable and accrued expenses	\$590,274	\$ -	\$590,274
	2018		
	1 - 30 days	Over 30 days	Total
<b>Financial liabilities</b>			
<b><u>Other liabilities</u></b>			
Accounts payable and accrued expenses	\$180,422	\$ -	\$180,422

#### 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.

**NATIONAL HEALTH INSURANCE AUTHORITY**

Notes to Financial Statements

June 30, 2019

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**17. 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.

**18. SUBSEQUENT EVENTS**

The Government approved funding of \$20 million for the Authority in its fiscal budget of 2019/2020.

See Independent Auditors' Report on pages 1 and 2.

DRAFT - SUBJECT TO CHANGES



JUNE 30, 2019

# ANNUAL REPORT

## NATIONAL HEALTH INSURANCE AUTHORITY



**National Health  
Insurance Authority**

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