

ANNUAL REPORT

2021



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BAHAMIANS SHOULD HAVE ACCESS

Building on the success of the last year, our focus for FY20/21 was sustainability – reaching the community with health, hope and lasting changes.



Introduction

Building a healthier Bahamaland **with Universal Health Care.**

The National Health Insurance Authority has successfully launched the NHI Program with exponential growth in beneficiary and provider enrollment. The program effectively rolled out technology and began the work of transforming the Bahamian healthcare sector.

As we help to build a healthier Bahamas, we are deliberate in our actions to provide access, by putting Bahamians at the center of every decision made.



Organization

4

OUR VISION

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

OUR MISSION

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

OUR CORE VALUES

Passionate, Progressive, Partnership, Integrity, Respect

WHAT IS NHI BAHAMAS?

The National Health Insurance Authority was established in 2017 with the goal of achieving Universal Health Care and making The Bahamas a healthier nation. Over the last five (5) years significant progress has been made, inclusive of launching primary care services, achieving record beneficiary enrollment, establishing a network of Primary Care providers, implementation of healthcare technology and assembling a stellar team of dedicated professionals within the Authority. NHIA has established an effective model for the delivery of healthcare services.

ORGANIZATION VALUES

BUILDING A MORE SUSTAINABLE HEALTH CARE SYSTEM.



ACHIEVING RECORD ENROLLMENT

The NHIA developed significant breadth in the community by enrolling **over 126,000** beneficiaries into the program, across 17 different islands and building a provider network of over 100 primary care physicians. We are growing the NHI program and expanding access to quality care. To date we have over 126,000 beneficiaries and counting. NHIA currently enrolls Bahamians from more than 17 islands including 5,700 Bahamians under the age of 5 and nearly 15,000 over the age of 65. These successes continue to pave the way towards our ultimate goal of achieving Universal Health Care in The Bahamas.

MAKING HISTORY TOGETHER

The NHIA is deeply committed to leading the way in providing access to affordable, quality healthcare that Bahamians deserve. Since inception in 2017, we have worked hard to deliver on this vision and advance the path to Universal Health Care.

DIGITALLY ENABLED CARE: Beneficiary information is documented in an Electronic Health Record System and telehealth is enabled for applicable visits.

DIVERSE DEMOGRAPHICS: NHIA currently enrolls Bahamians from more than 17 islands including 5,700+ Bahamians under the age of 5 and 14,000+ over the age of 65.

EXPANSIVE PROVIDER NETWORK: Currently there are 107 Physicians , 63 PCP Facilities and 16 Lab providers across 5 islands.

HIGH PATIENT SATISFACTION: 96% of those enrolled in NHI are satisfied with the service they are receiving from the program.



Chairman's Statement

DR. KENDAL MAJOR

Dear Minister Darville:

Re: The National Health Insurance Authority Annual Report 2021

As we continue to navigate the changes within the healthcare sector, I am immensely proud of the National Health Insurance Authority (NHIA) for their dedication and commitment to making quality healthcare a reality for Bahamians. They have truly shown what it means to be progressive and maintain momentum in challenging and unprecedented times. The Authority has continued the important developmental work, steadily adapting, and maintaining the NHI Bahamas Program, while seeking ways to close the healthcare gaps that exist within the community.

Through another year of extraordinary circumstances, it has become abundantly clear that Bahamians support the objective of establishing universal access to high quality, affordable primary healthcare and that we must keep striving to achieve our ultimate goal of universal health coverage.

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.

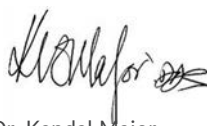
A few notable milestones during the last year include the following:

- The NHIA developed significant breadth in the community by enrolling over 126,000 Beneficiaries into the program
- The NHIA began the transition of the first public clinic into the NHI model
- The expansion of our provider network to include 56 private facilities, 108 physicians and 11 laboratories
- Electronic Health Record and Telehealth enabled for 80 Physicians at 49 Facilities covering more than 92,000 beneficiaries
- Increased collaboration to drive continued reduction of the burden on the Public Healthcare Sector

Thank you to our board of directors, management, and staff who, despite the challenges posed by the pandemic continued to deliver on our vision and developed and implemented progressive solutions. As a result of this passion, I'm inspired and confident that we are well positioned to transform the healthcare system as we continue our journey towards universal health care.

I would also like to thank the front-line workers who have been helping us in countless ways, in addition, our partners and key stakeholders including Ministry of Health and Wellness, Public Hospital Authority, Department of Public Health and Pan American Health Organization (PAHO).

The NHIA remains committed to leading the way in providing access to affordable quality healthcare throughout The Bahamas.



Dr. Kendal Major

Chairman

The National Health Insurance Authority



Managing Director's Report

CHRISTY BUTLER

Health is fundamentally connected to wealth. In this unprecedented health and economic environment, we see the importance of a healthy Bahamas for our future growth and prosperity. It is imperative that the health of all our citizens is a national priority.

Bahamians remain the foundation of the National Health Insurance Authority's (NHIA) effort to achieve Universal Health Coverage, which provides a path for quality healthcare services to all Bahamians.

During the fiscal year 2020/21, NHIA achieved several key milestones, including enrolment of over a quarter of the Bahamian population, expansion of the provider network and continued technological advancements in fostering a digitally enabled health system. The NHIA was also able to launch the Primary Care Transformation Initiative (PCTI), which aims to integrate public and private primary care delivery networks in the country.

The PCTI is being rolled-out in a phased approach and makes provisions for a national network of primary care providers, expansion of the standard health benefit, private insurance reforms and the adoption of a universal electronic health system. This phase is an important pillar of the NHI Bahamas program and will pave the way for future advancement.

As the National Health Insurance Authority anticipates continued growth, and expansion over the next few years we will seek innovative healthcare solutions. NHIA will invest in providing access to care, driving down the cost-of-service delivery and developing and strengthening partnerships with healthcare stakeholders. We will participate in initiatives that build health sector capacity and workforce readiness, build a technological foundation, and improve quality while promoting a universal standard of service.

In collaboration with stakeholders, our exceptional team of professionals are passionate and dedicated to developing a roadmap and direction for achieving Universal Health Coverage through the NHI program.



Christy Butler
Managing Director & CEO
The National Health Insurance Authority

NHIA Board

THE BOARD OF DIRECTORS WAS APPOINTED TO SERVE ON DECEMBER 30, 2021.

Dr. Kendal Major

CHAIRMAN

Dr. Robin Roberts

DEPUTY CHAIRMAN

Linda Jarret

MEMBER

Portia Moxey

MEMBER

Dr. Kevin Bowe

MEMBER

Montgomery Braithwaite

MEMBER

Lavora Ferguson

MEMBER

Marcus Bosland

MEMBER

Dr. Cindy Dorsett

MEMBER

Michele Fields (Superintendent, Insurance Commission of The Bahamas)

EX-OFFICIO MEMBER

Dr. Pearl McMillan (Chief Medical Officer, Ministry of Health)

EX-OFFICIO MEMBER

Kim Sawyer (Acting Director, Social Services)

EX-OFFICIO MEMBER

Chrsity Butler (CEO/Managing Director, NHIA)

EX-OFFICIO MEMBER



The History



MAKING HISTORY TOGETHER

NHI Bahamas is the nation's National Health Insurance plan that aims to secure Universal Primary Healthcare for all Bahamians and legal residents. Since its launch in 2017, the NHIA has grown in enrolment numbers, in geographic regions, and across the health network.

2017

The NHIA launched with the vision to provide access to universal healthcare to all Bahamians. Within the first 10 days, the NHIA registered ~10,000 people in the National Health Insurance Plan.

2018

NHIA's plans expanded to include support for cancer coverage and other catastrophic conditions, and the NHIA released a report for public consultation entitled: National Health Insurance – A Shared Responsibility outlining the fundamental structure of the new financing mechanisms.

2019

The events of Hurricane Dorian elicited a change in NHIA's expansion. This resulted in the launch of the Primary Care Transformation Initiative (PCTI), aiming to integrate the public primary care system, reform private insurance and provide every Bahamian with a single electronic health record.

Over the years, it has become abundantly clear that Bahamians support the objective of establishing universal access to high quality, affordable primary healthcare and that we must keep striving to achieve our ultimate goal of achieving universal health care.

2020

The PCTI will bring together the public and private primary health care delivery networks under a common and comprehensive model of care that improves quality, consistency of experience, and is accessible without any cost at the point of service. It aims to integrate the public primary health care system, implement pragmatic reforms to private insurance, and provide every eligible person with a single Electronic Health Record.

Following an initial downturn in enrollment as Bahamians took lockdown measures to fight the pandemic, enrollment numbers have surged. Overall in 2020, NHI enrolment numbers have increased close to 20%.

2021

The NHIA began the transition of the first public clinic onto the NHI model.

The Agape Family Medicine clinic aims to be the first public clinic to transition by the Fall of 2021, with an additional two clinics in queue for the near future.

The Future

Universal Health Care

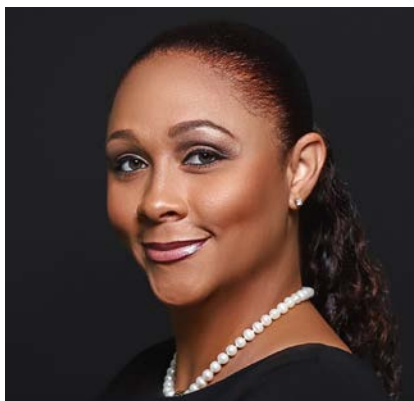
Our Team

Everyone says it, but in our case it's true: our team is the secret to our success. Each of our employees is amazing in their own right, but together they are what makes NHI Bahamas work. The NHIA team is a tight-knit, talented group with a shared vision of delivering consistently.

We're very proud of the team we've built – with almost fifty team members, all of our employees are unique individuals who are united by a set of core values that apply to everything we do within the authority. We cultivate the diverse talents of our team and leverage their extraordinary perspectives and innovative ideas to make the NHIA what it is today.



Executive Management



Christy Butler
Managing Director & CEO



Patrick Hanlan
Chief Financial Officer



CC LaFleur
Senior Manager - Human Resources



Chadwick Williamson
Senior Manager - Information Technology

Introducing the PCTI

The PCTI will bring together the public and private Primary Care delivery networks under a common and comprehensive model of care that improves quality, consistency of experience, and is accessible without any cost at the point of service. It aims to integrate the public Primary Care system, implement pragmatic reforms to private insurance, and provide every eligible person with a single Electronic Health Record.

Improving Access to High Quality Primary Care

The NHIA has undertaken a rigorous public consultation process designed to gather feedback on the PCTI. The results were abundantly clear: Bahamians strongly support the implementation of the PCTI.

Key features of the PCTI are outlined below:

Primary Care Physician - Covers general physician visits

Pediatric and Maternity Care - Maternity and pediatric care bundles

Health Education - Healthy living advice, wellness programming and wellness education

Diagnostic Imaging - Includes x-rays, ECG's and ultrasounds

Cancer Screening Programs and Early Intervention - Includes mammography, PSA, colonoscopy, pap smears

Lab Tests - Includes essential diagnostic lab tests



Deploying an Electronic Health Record for All Bahamians

The NHIA is implementing a single Electronic Health Record (EHR), which acts as the technological foundation for the NHI program.

Progress to Date

Since the inception of the PCTI in 2020, there has been substantial progress made in starting the transition of public clinics to the NHI model.

Creation of Clinic Transition Roadmap: Six priority clinics have been identified to transition to NHI's model in the upcoming year.

National Health Insurance 2021 Bill Drafted: A draft Bill has been prepared that will support the enablement of the PCTI and greater coverage.

Physical and Operational Efficiency Review: Through extensive analysis of shifts, visits and other data points as well as interviews with staff and patients, an operational review was conducted for the Agape clinic.

Clinic Costing Analysis: In order to support the transition of the Agape clinic, NHI has supported Agape in reviewing cost projections that will serve as a useful benchmark for future transitions.



Financial Statements of
NATIONAL HEALTH INSURANCE AUTHORITY

The Deanery
#28 Cumberland Street
P.O. Box N-1991
Nassau, The Bahamas

T: +1 (242) 356-4114
F: +1 (242) 356-4125

info@bakertilly.bs
www.bakertilly.bs

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, 2021, 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, 2021, 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 the 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*

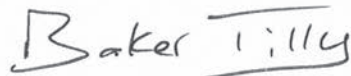
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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**

March 30, 2022
Nassau, Bahamas

NATIONAL HEALTH INSURANCE AUTHORITY

Statement of Financial Position

June 30, 2021

(Expressed in Bahamian dollars)

	2021	2020
ASSETS		
Current assets		
Cash on hand and at bank (Note 4)	\$4,469,778	\$ 911,333
Government grant receivable (Notes 8, 13)	3,222,217	2,000,000
Other receivable	599	6,520
Prepaid insurance	5,285	4,839
	7,697,879	2,922,692
Fixed assets (Note 5)	241,031	289,039
Intangible assets (Note 6)	697,876	1,063,002
Total assets	\$8,636,786	\$4,274,733
LIABILITIES AND ACCUMULATED FUND		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses (Note 7)	\$ 866,857	\$1,024,504
Accumulated fund	7,769,929	3,250,229
Total liabilities and accumulated fund	\$8,636,786	\$4,274,733

See accompanying notes. See Independent Auditors' Report on pages 1 and 2.

These financial statements were approved by the Board on March 30, 2022 and signed on its behalf by:


Deputy Chairman


Director

NATIONAL HEALTH INSURANCE AUTHORITY

Statement of Operations

For the year ended June 30, 2021

	2021	2020
INCOME		
Government grants (Notes 8, 13)	\$38,000,000	\$24,555,556
Total income	38,000,000	24,555,556
EXPENSES		
Provider care benefits (Note 9)	24,202,121	17,504,385
Operation of facilities (Note 10)	3,038,251	1,658,380
Consultancy services (Note 11)	2,899,331	1,801,918
Payroll and related benefits (Notes 12)	2,531,359	2,158,614
Amortization (Note 6)	203,111	160,859
Intangible assets written-off (Note 6)	162,015	-
Directors' remuneration (Note 13)	139,500	149,000
Other charges	87,680	131,451
Depreciation (Note 5)	74,328	64,419
Bank charges	40,228	54,507
Travel	33,051	63,857
Publication of notices and advertising	29,317	34,191
Professional fees	26,779	25,481
Office supplies and materials	13,228	44,991
	33,480,299	23,852,053
NET INCOME AND TOTAL COMPREHENSIVE INCOME	\$ 4,519,701	\$ 703,503

See accompanying notes. 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, 2021

	Accumulated fund
BALANCE AS AT JUNE 30, 2019	\$2,546,726
Total comprehensive income	703,503
BALANCE AS AT JUNE 30, 2020	3,250,229
Total comprehensive income	4,519,701
BALANCE AS AT JUNE 30, 2021	\$7,769,930

See accompanying notes. See Independent Auditors' Report on pages 1 and 2.

NATIONAL HEALTH INSURANCE AUTHORITY

Statement of Cash Flows

For the year ended June 30, 2021

	2021	2020
CASH PROVIDED BY/(USED IN)		
Cash flows from operating activities		
Net income	\$4,519,701	\$ 703,503
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Depreciation	74,328	64,419
Amortization	203,111	160,859
Intangible assets written-off	162,015	-
Cash provided by operations before changes in operating assets and liabilities	4,959,155	928,781
(Increase)/decrease in operating assets:		
Government grant receivable	(1,222,217)	(2,000,000)
Prepaid insurance	(446)	(1,720)
Other receivable	5,920	1,934
(Decrease)/increase in operating liabilities:		
Accounts payable and accrued expenses	(157,647)	434,230
Net cash provided by/(used in) operating activities	3,584,765	(636,775)
Cash flows from investing activities:		
Acquisitions of fixed assets	(26,320)	(125,363)
Cost of intangible assets	-	(1,015,556)
Net cash used in investing activities	(26,320)	(1,140,919)
Net increase/(decrease) in cash and cash equivalents	3,558,445	(1,777,694)
Cash and cash equivalents, beginning of year	911,333	2,689,027
CASH AND CASH EQUIVALENTS, END OF YEAR	\$4,469,778	\$ 911,333
Represented by: (Note 4)		
Cash on hand	\$ 274	\$ 83
Cash at bank	4,469,504	911,250
	\$4,469,778	\$ 911,333

See accompanying notes. See Independent Auditors' Report on pages 1 and 2.

NATIONAL HEALTH INSURANCE AUTHORITY

Notes to Financial Statements

June 30, 2021

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 healthcare;
- 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; and
- To manage, control and keep under constant review the national health insurance fund and to supervise and control expenditures therefrom.

As at June 30, 2021, the number of enrollees in the Plan total 107,621 (2020: 80,588).

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 March 30, 2022.

2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS

At the date of these financial statements, the following standard 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 (amendments)	-	Business Combinations - amendments to update a reference to the Conceptual Framework - effective from January 1, 2022
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (amendments)	-	Interest Rate Benchmark Reform - Phase 2 - amendments that address issues that might affect financial reporting when an existing interest rate benchmark is actually replaced - effective from January 1, 2021
IFRS 9 (amendment)	-	Financial Instruments - amendment to clarify which fees an entity includes when it applies the 10% test in assessing whether to derecognize a financial liability - effective from January 1, 2022
IFRS 16 (amendment)	-	Leases - amendment to Illustrative Example 13 accompanying IFRS 16 that clarifies the treatment of lease incentives - effective January 1, 2022
IFRS 17	-	Insurance Contracts - effective from January 1, 2023

NATIONAL HEALTH INSURANCE AUTHORITY

Notes to Financial Statements

June 30, 2021

2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

- | | | |
|---------------------|---|--|
| IAS 1 (amendments) | - | Presentation of Financial Statements - amendments in the classification of liabilities as current or non-current - effective from January 1, 2023 |
| IAS 16 (amendments) | - | Property, Plant and Equipment - amendments accounting for proceeds from sale of items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management - effective from January 1, 2022 |
| IAS 37 (amendments) | - | Provisions, Contingent Liabilities and Contingent Assets - amendments to specify costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous - effective from January 1, 2022 |

The Board of Directors is in the process of determining the impact of the adoption of such standard and amendments to the existing standards on the Authority's financial statements.

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 years presented, unless otherwise stated.

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.

NATIONAL HEALTH INSURANCE AUTHORITY

Notes to Financial Statements

June 30, 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Use of estimates and judgments (continued)

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(g)	-	Impairment of financial assets
Note 3(l)	-	Fixed assets
Note 3(m)	-	Intangible assets
Note 14	-	Fair value of financial instruments
Note 15	-	Financial risk management

d) Financial assets – classification and subsequent measurement

On initial recognition, the Authority classifies its financial assets at 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 specified 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, government grant receivable and other receivable.

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 a portion of the approved budgetary funding receivable from the Government at the reporting date.

g) Impairment of financial assets

The Authority recognizes loss allowances for expected credit losses (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, 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Impairment of financial assets (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 debtor;
- A breach of contract such as a default; or
- It is probable that the borrower will enter bankruptcy or other financial reorganization.

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.

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.

NATIONAL HEALTH INSURANCE AUTHORITY

Notes to Financial Statements

June 30, 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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. The balance included in this classification is 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 vehicles	- 7 years

Repairs and maintenance are expensed as incurred. Subsequent expenditure is capitalized whenever it is probable that future economic benefits associated with the expenditure will flow to the Authority and the expenditure can be measured reliably. 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, website development and healthcare management system, are carried at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful life of the assets. The estimated useful life and the amortization method are reviewed at the end of each reporting period and impairment losses, write-offs or reversals of such losses are recognized in the statement of comprehensive income.

n) Income and expenses recognition

• Government grants

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

NATIONAL HEALTH INSURANCE AUTHORITY

Notes to Financial Statements

June 30, 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Income and expenses recognition (continued)

- 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 enrollee seeks care. The amount of remuneration is based on the average expected health care utilization of the patient, which is then adjusted for the health risk associated with the enrollee. The Authority pays a base amount of \$150 per enrollee per year, which is then adjusted for the enrollee's gender, age and location.

iii) Bundles:

Bundles are packages of care that include multiple physician visits and associated other care costs that are combined and paid for together. The Authority provides for two types of bundles: Maternal Care and Infant Care. Payments for Maternal Care bundles are adjusted for case complexity. Infant Care includes child visits between the ages of 0-24 months and immunizations.

- Other expenses

Other expenses are recognized on an accrual basis, except for amortization and depreciation which are recognized on a straight-line basis.

o) 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, 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Taxes

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

Income from government grants and subsidies are VAT exempt. Accordingly, input VAT incurred is recorded as an expense in the statement of operations.

q) Related party transactions

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

4. CASH ON HAND AND AT BANK

As at June 30, 2021, cash on hand and at bank consist of the following:

	2021	2020
Cash on hand	\$ 274	\$ 83
Cash at bank		
RBC Royal Bank (Bahamas) Limited - current account	4,469,504	911,250
	\$4,469,778	\$911,333

As at June 30, 2021, the Authority has a corporate credit card and overdraft facilities with RBC Royal Bank (Bahamas) Limited with a limit of \$30,000 (2020: \$30,000) and \$10,000 (2020: \$10,000), respectively.

NATIONAL HEALTH INSURANCE AUTHORITY

Notes to Financial Statements

June 30, 2021

5. FIXED ASSETS

As at June 30, 2021, fixed assets consist of the following:

	Motor vehicles	Furniture, fixtures and equipment	Total
Cost:			
Balance, June 30, 2019	\$ 93,595	\$178,620	\$272,215
Acquisitions during the year	39,647	85,716	125,363
Balance, June 30, 2020	133,242	264,336	397,578
Acquisitions during the year	-	26,320	26,320
Balance, June 30, 2021	133,242	290,656	423,898
Accumulated depreciation:			
Balance, June 30, 2019	14,118	30,002	44,120
Charge for the year	18,090	46,329	64,419
Balance, June 30, 2020	32,208	76,331	108,539
Charge for the year	19,035	55,293	74,328
Balance, June 30, 2021	51,243	131,624	182,867
Net book value, June 30, 2021	\$ 81,999	\$159,032	\$241,031
Net book value, June 30, 2020	\$101,034	\$188,005	\$289,039

6. INTANGIBLE ASSETS

As at June 30, 2021, intangible assets consist of the following:

	Website development	Healthcare management system	Total
Cost			
Balance at June 30, 2019	\$ 231,450	\$ -	\$ 231,450
Addition during the year	-	1,015,556	1,015,556
Balance, June 30, 2020	231,450	1,015,556	1,247,006
Write-off during the year	(162,015)	-	(162,015)
Balance, June 30, 2021	69,435	1,015,556	1,084,991
Accumulated amortization			
Balance at June 30, 2019	23,145	-	23,145
Charge for the year	46,290	114,569	160,859
Balance, June 30, 2020	69,435	114,569	184,004
Charge for the year	-	203,111	203,111
Balance, June 30, 2021	69,435	317,680	387,115
Net book value, June 30, 2021	\$ -	\$ 697,876	\$ 697,876
Net book value, June 30, 2020	\$ 162,015	\$ 900,987	\$1,063,002

NATIONAL HEALTH INSURANCE AUTHORITY

Notes to Financial Statements

June 30, 2021

6. INTANGIBLE ASSETS (continued)

Website Development

In the prior year, website development was provided by Teleios Systems Limited. The contract with this entity was terminated on July 19, 2020. The net book value of the website development was written off during the year.

Healthcare Management System

In 2017, the Authority commenced an IT solution project including database hosting, platform and all other related IT system development work. In 2020, the Authority entered into a contract with Maximus Canada Services Inc. ("Maximus") to provide a cloud-based Claims Processing System/Claims Administration System (CPS/CAS) and a cloud-based Provider Registration and Beneficiary Management system (PRBM) to support the NHIA programs. The PRBM system facilitates the online enrollment of health-care providers and beneficiaries and connects with the Electronic Health Records system (EHR). The CPS/CAS will be utilized for the adjudication of the Authority's provider claims and payment for services.

7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

As at June 30, 2021, accounts payable and accrued expenses comprise:

	2021	2020
Accounts payable	\$845,657	\$1,006,154
Accrued professional fees	21,200	18,350
	<u>\$866,857</u>	<u>\$1,024,504</u>

8. GOVERNMENT GRANTS

During the year, government grants recognized as income in the statement of operations amounted to \$38,000,000 (2020: \$24,555,556). As at June 30, 2021, the amount receivable from the Government is \$3,222,217 (2020: \$2,000,000).

9. PROVIDER CARE BENEFITS

The Authority, as mandated by the Act, registers and processes provider care benefits. For the year ended June 30, 2021, the Authority paid provider care benefits of \$24,202,121 to 63 (2020: \$17,504,385 to 59), registered healthcare providers, as follows:

	2021	2020
Capitation	\$18,528,039	\$13,129,164
Fee for services	5,284,605	3,947,169
Bundles	389,477	428,052
	<u>\$24,202,121</u>	<u>\$17,504,385</u>

NATIONAL HEALTH INSURANCE AUTHORITY

Notes to Financial Statements

June 30, 2021

10. OPERATION OF FACILITIES

Operation of facilities for the year ended June 30, 2021 is comprised of the following:

	2021	2020
Computers and internet	\$2,694,981	\$1,321,814
Security services	156,743	166,121
Telephone	108,419	114,410
Repairs and maintenance	64,508	42,295
Automobile	8,307	11,582
Uniforms	2,834	555
Utilities	2,459	1,603
	\$3,038,251	\$1,658,380

11. CONSULTANCY SERVICES

The Authority has entered into various engagements with KPMG with respect to the NHI project which includes, inter alia, support for implementing and operationalizing of the new policy; project management of the EHR solution and advice and assistance for the amendments to the NHI Act, 2016. Costs incurred with respect to these engagements for the year amounted to \$2,894,223 (2020: \$1,769,058).

Other consultancy services incurred during the year amounted to \$5,108 (2020: \$32,860).

12. PAYROLL AND RELATED BENEFITS

Payroll and related benefits for the year ended June 30, 2021 are comprised of the following:

	2021	2020
Salaries and wages	\$2,080,447	\$1,782,556
Other allowances and benefits	338,064	278,499
National insurance	112,848	97,559
	\$2,531,359	\$2,158,614

13. RELATED PARTY BALANCES AND TRANSACTIONS

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

Included in the statement of financial position and the statement of operations are the following balances and transactions:

- i) As at June 30, 2021, the amount receivable from the Government is \$3,222,217 (2020: \$2,000,000).
- ii) Government grants for the year amounted to \$38,000,000 (2020: \$24,555,556).
- iii) Included in payroll and related benefits is key management personnel compensation of \$215,182 (2020: \$204,414).
- iv) Directors' remuneration for the year amounted to \$139,500 (2020: \$149,000).

NATIONAL HEALTH INSURANCE AUTHORITY

Notes to Financial Statements

June 30, 2021

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 both of the following reasons:

- (i) Short-term maturities.
- (ii) 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 primarily consist of cash at bank and government grant receivable. The Authority mitigates the risk associated with cash at bank by placing funds with a reputable financial institution. The Authority does not anticipate any loss from amounts receivable from the Government.

As at June 30, 2021, the maximum exposure to credit risk is the carrying amounts of the financial assets as set out below:

	2021	2020
<u>Financial assets:</u>		
Cash at bank	\$4,469,778	\$ 911,333
Government grant receivable	3,222,217	2,000,000
Other receivable	599	6,520
	<u>\$7,692,594</u>	<u>\$2,917,853</u>

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 receiving grants from the Government and 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, 2021 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.

	2021		
	1 - 30 days	Over 30 days	Total
<u>Financial liabilities</u>			
<u>Other liabilities</u>			
Accounts payable and accrued expenses	\$866,857	\$ -	\$866,857

NATIONAL HEALTH INSURANCE AUTHORITY

Notes to Financial Statements

June 30, 2021

15. FINANCIAL RISK MANAGEMENT (continued)

b) Liquidity risk (continued)

	2020		
	1 - 30 days	Over 30 days	Total
Financial liabilities			
<u>Other liabilities</u>			
Accounts payable and accrued expenses	\$1,024,504	\$ -	\$1,024,504

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 foreign 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 or future cash flows of financial assets and liabilities. The Authority has no exposure to interest rate risk as its financial assets and liabilities are non-interest bearing.

16. CAPITAL MANAGEMENT

The Authority manages its capital to ensure that the entity will be able to continue as a going concern. The Authority obtains grants from the Government to fund its activities. The capital structure of the Authority is represented by its accumulated fund. The Authority is not subject to externally-imposed capital requirements. There were no changes in the Authority's approach to capital management during the year.

17. COVID-19 PANDEMIC

In December, 2019, a new strain of coronavirus ("COVID-19") surfaced in Wuhan, China. COVID-19 was declared a global pandemic by the World Health Organization on March 11, 2020. This virus continues to spread around the world, resulting in business and social disruption.

As the COVID-19 pandemic is ongoing and the near term worldwide economic outlook remains uncertain, management is unable to reasonably estimate the length or ultimate severity of the pandemic, or the extent to which the disruption may materially impact the Authority's financial statements in the future.

As at the reporting date, any impact on the balances due to the ongoing COVID-19 pandemic has been appropriately accounted for in accordance with the reporting framework. Management does not believe there is any risk to the Authority's ability to continue as a going concern for the foreseeable future from the reporting date due to the COVID-19 pandemic.

NATIONAL HEALTH INSURANCE AUTHORITY

Notes to Financial Statements

June 30, 2021

18. SUBSEQUENT EVENTS

No events have occurred subsequent to the reporting date that would require adjustment to or disclosure in the financial statements, except as follows:

- a) The Government approved funding of \$45 million for the Authority in its fiscal budget of 2021/2022.
- b) The Authority received government grants totaling \$26,250,000 during the period from July 1, 2021 to March 14, 2022.

See Independent Auditors' Report on pages 1 and 2.

Notes

CONTACT US



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



+1 (242) 396-8500



Info@nhibahamas.gov.bs

www.nhibahamas.gov.bs