

Addressing National Health Challenges
Creating a Better Future





Our Theme

'Addressing National Health Challenges; Creating a Better Future' is more than mere words. These words are backed by action. These words reflect our commitment to you. They are the catalyst behind our actions and the mantra we use to motivate us along the way.

Worldwide, chronic Non-Communicable Diseases (NCD's) are increasing at an alarming rate. We, at the Medical Benefits Scheme, are committed to reducing the threat to Antiguan and Barbudans. We do continue to reimburse for numerous tests and surgeries, and offer a comprehensive range of medication for covered diseases – asthma, cancer, cardiovascular diseases, diabetes, glaucoma, hypertension, certified lunacy, and sickle cell anaemia – at any of our strategically placed pharmacies. But rather than simply treating the disease, we're committed to prevention by promoting healthy lifestyles – primarily physical exercise and proper nutrition. By so doing, we believe we'll be creating a better future for all Antiguan and Barbudans.



Vision

To be a model organization, which is customer-oriented, and renowned for its service excellence, integrity, accountability and fairness.

Mission

To contribute to the improvement of the quality of life in Antigua and Barbuda by:

- » Providing beneficiaries of the Scheme with access to healthcare services
- » Promoting public awareness of the importance of adopting healthy lifestyles
- » Providing financial support for the construction and maintenance of healthcare facilities and infrastructure

Core Values

Service Excellence

We will endeavour to not only meet but also to surpass public expectation through:

- » Providing services at locations that are readily accessed by beneficiaries
- » Providing timely and reliable services
- » Using customer satisfaction surveys as the basis for continuous improvement

Stewardship

We will be effective stewards of the resources with which we are entrusted. We will:

- » Maintain effective mechanisms to ensure that all contributions due are collected on a timely basis
- » Exercise prudent financial management and accounting disciplines
- » Adopt a framework of transparent public reporting

Collaboration

We will foster and develop partnerships with stakeholders and other entities in the pursuit of matters of mutual interest.

Education and Awareness

We will promote the adoption of healthy lifestyles to complement our programmes of curative benefits.

Human Resource Development

We recognize that our human resources are among our most valuable assets. We are committed to equitable hiring, remuneration and promotion practices, and the continued training and development of our staff.

Teamwork

We believe that our success is dependent on our ability to work together, within and between departments, on the basis of mutual trust and respect.

Ethics

Fairness, honesty and integrity will be the hallmarks of the way we do business.

Information Systems

We will leverage on information systems to enhance our service delivery, and as the basis for identifying and analysing trends to support critical decisions.

Change

We will be sensitive to, and adaptive to, the dynamic environment in which we operate.

Message from the Minister of Health Hon. Wilmoth Daniel



I extend warmest congratulations to the board and staff of the Medical Benefits Scheme (MBS) on the production of their inaugural annual report under the theme, 'Addressing National Health Challenges: Creating a Better Future'.

Like other countries in the Caribbean, Antigua and Barbuda is challenged by increasing Non-Communicable Diseases (NCDs) such as diabetes and hypertension coupled with communicable disease such as HIV/AIDS and dengue.

The Medical Benefits Scheme continues to assist its beneficiaries by providing medication for chronic NCDs including diabetes and hypertension. The Scheme has also assisted indirectly with communicable diseases by partnering with the government on its network of community health clinics and in-patient care at Mount St. John Medical Centre.

It is noteworthy that this report focuses on 2010, the same year that saw the enactment of the new Medical Benefits Act that provides the legal framework that will guide the institution as we deal with emerging and re-emerging health challenges. This Act has redefined the Medical Benefits Board, increased available benefits, and empowered the MBS to collaborate with statutory and other bodies established for the purpose of providing health care in Antigua and Barbuda. As we continue to move forward, I envisage the development of National Health Insurance in Antigua and Barbuda and the provision of medication and supplies for a wider range of diseases.

The production of an annual report is no easy task. I acknowledge the hard work of staff involved both in its production and in the work done in the year under review. Heartiest congratulations on this significant achievement. Let's continue to work together to ensure the health and well-being of Antiguan and Barbudans.

Chairperson's Remarks

It gives me great pleasure to be part of this Annual Report of the Medical Benefits Scheme (MBS).

As an advocate of records and reports, it is gratifying to publicise the achievement of the Scheme under the theme "Addressing National Health Challenges: Creating a Better Future".

Medical Benefits, like other institutions, faced many challenges, both internally and legislatively, in its quest to provide improved services to its beneficiaries.

The Board had to address the matter of inadequate operation space brought about by the demand on staff to administer to an increased number of registrants, and the consequent effect on morale among the staff and on relations between directors and staff. Conflicts must not be viewed negatively, but should instead be used as channels through which interpersonal relationships can be improved. The Board, knowing that poor interpersonal relationships results in low productivity, developed a strategy of having bi-annual staff meetings in an atmosphere of information sharing with mutual respect. In addition, an intervention retreat was held with the aim of transforming the Scheme into a high performance workplace. I am convinced that the gap between directors and staff is narrowing and can be graded as satisfactory. Although the maintenance of staff morale is a continuous process, there are obvious signs of a significantly improved working relationship among MBS staff, and commendations are extended to them.

To resolve the issue of the inadequate operational space, the Scheme acquired a new building on Nevis Street. Additionally, a parking lot for the

protection of its staff vehicles is now one of the Scheme's assets.

The greatest challenge was operating with a governing statutory instrument that was 32 years old (i.e. the MBS Act of 1978 (Cap 271)).

It is pleasing to note that MBS now operates with a new Act, passed in 2010. This new Act provides, among other benefits, for the increase in beneficiaries' claims. Two new medical conditions have been added to the list of diseases and self-employed persons are now registrants of the Scheme. The new MBS Act of 2010 and its Regulations are available for all residents to assist them to better understand the Scheme and its operations.

The Scheme has a Prevention Unit which is managed by a medical personnel. This unit has, over the years, successfully taken its programmes to the front doors of the beneficiaries and to the community at large. The following tests are done during these road shows: diabetes, eye problems, cholesterol and prostate testing - the test men fear most. The programme focuses on prevention, detection, and referral.

The stated achievements were not attained by any one entity, but by the collaborative efforts of the legal department, the board, management, and staff of the MBS. Accordingly, I wish on behalf of the other directors, to express my feelings of gratitude and to say thank you to all who played pivotal roles in attaining these achievements at the MBS during the reporting period.

Ann Edwards (Mrs.)
Chairperson, MBS 2010



Medical Benefits Scheme Board of Control

MBS oversight falls into the laps of the members of the MBS Board of Control, the varied and capable team responsible for ensuring the proper functioning of the Scheme to the benefit of all its stakeholders. That team currently consists of:



Mrs. Ann Edwards, Chairperson

A retired health and education professional, Nurse Edwards brings to the MBS Board of Control, leadership skills honed as the longest serving president of the Antigua and Barbuda Nurses Association and as deputy superintendent of public health nurses.



Mr. Egbert Joseph

Trade unionist Egbert Joseph serves as both the president of the Antigua and Barbuda Hotel Management Association and 1st vice president of the Antigua and Barbuda Trade Union Congress. His knowledge of industrial and labour relations makes him an invaluable asset to the MBS team.



Mr. Herbert Dyett

A pharmacist for more than a quarter century – in both the public and private domain – Herbert Dyett brings to bear his in-depth insight with respect to pharmaceutical operations.



Ms. Natasha Mussington

Natasha Mussington represents the Antigua and Barbuda Trade Union Congress on the MBS Board, bringing her experience in the human resources aspect of labour relations to the table. The air traffic controller at the V.C. Bird International Airport has served as general secretary of the TUC for two years.



Mr. Acres Stowe

As general manager of Illuminat, a technology-driven firm, and the Antigua and Barbuda Employers' Federation representative, Acres Stowe's management experience is an asset to the MBS Board.



Dr. Conrad Stevens

Dr. Stevens represents key stakeholder the Antigua and Barbuda Medical Association on the MBS Board of Control.



Mrs. Joan Samuel

A retired nurse who gave over forty-two years of service to the profession, Mrs Samuel has vast knowledge of the public health care system. She represents the Antigua and Barbuda Nurses Association on the Board.



Mr. Damani Tabor

As a science teacher by profession who then left the service to pursue his passion for information technology full time, Mr Tabor advocates the leveraging of technology to deliver greater value for the beneficiaries of MBS.



Mr. Caudley George

A Journalist by profession, Mr George brings a wider perspective to the board and focuses on the optimum utilisation of MBS resources, particularly its human resources.



Mrs. Joanne Lovell

As a career banker with a focus on management, compliance and investment, Mrs Lovell adds to the depth of knowledge at the Board's fingertips.



Mr. Danzlear Dublin

A former banker now self employed businessman, Danzlear Dublin is one of six government nominees on the Medical Benefits Board. He also serves on the human resource sub-committee of the Board.



Upclose With Three MBS Board Sub-Committies

The **Human Resources Committee** has a multitude of responsibilities with an emphasis on employee development. Duties include establishing compensation and benefits for senior officers; facilitating the selection and development of key managers; and assessing the educational needs of MBS employees with an eye toward recommending staff development programmes at all levels. Furthermore, if individual employees wish to upgrade their skills, this is the committee that receives, assesses, and recommends whether or not

the Board should assist with course tuition payments.

Employee benefits also fall under this committee's purview. The committee receives reports on the operation and admission of employee benefits; and oversees the administration of the MBS' Benefit Plan and other incentives, including awards.



Meanwhile, the **Audit and Risk Committee** assists the board of directors in fulfilling its oversight responsibilities in several areas. Specifically, it keeps an eagle eye on the integrity of the company's financial statements; compliance with legal and regulatory requirements; the independent auditor's qualifications and autonomy; and the performance of both the company's internal audit function and independent auditors.



Finally, the **Investment Committee** seeks to maximize returns and minimize risks on investment in accordance with the Medical Benefits Act. It also, administers the MBS Investment Plan. This includes receiving reports from management on the operation of the plan, monitoring and evaluating the performance of the investments portfolio, and submitting a bi-annual report to the board of directors.



Executive Team



Mr. Cottrille George
MBS Superintendent

Mr. George has had an extensive career at the Antigua and Barbuda Social Security Scheme where he rose through the ranks from statistician to deputy director, a position he held for fourteen years. He later joined the Medical Benefits Scheme in 2000 as its leader, occupying the chair of superintendent. His professional qualification is in business and management.



Mr. Pierre Richardson
Chief Operations Officer

During the past five years, Mr. Richardson has served, at the executive level, as chief operations officer, optimizing the operations of departments within the span of his control. Prior to that, he worked at the middle management level as information technology manager, managing the establishment and development of the Scheme's IT department and operations for more than eleven years. He holds a Master of Business Administration degree and a Bachelors of Science degree in Business Administration with a concentration in Management Information Systems (honours).



Dr. Leslie Walwyn
Medical Officer

A medical practitioner with certification in public health Dr. Walwyn has been spearheading MBS' diseases prevention agenda over the last seven years, advocating regular screenings, proper nutrition and regular physical activity.



Ms. Laurel Mason
Chief Financial Officer

Ms. Mason joined the MBS team in August 2008 as the senior accountant and after a period of two years, she took up the position of chief financial officer. She has over fifteen years accounting experience and has worked in a range of industries including aviation and insurance, holding various accounting positions at different levels prior to working at the executive management level at MBS.



Ms. Lilia Manwarren
Manager Human Resources

Ms. Manwarren has been employed with MBS from its early years; 1979. She has worked in most of the departments within the organisation, and was once the supervisor of invigilators and manager of the benefits, reconciliation and invigilator departments. She is currently the manager of human resources and has held that position since 2004.

Managers and Department Heads



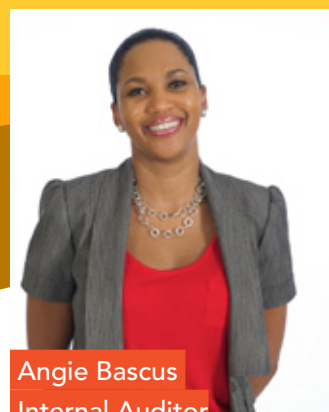
Janelle Charles-Williams
Communications and
Marketing Manager



Garylyn Archibald
Credit Control Manager



Sonier Edwards
Customer Service Manager



Angie Bascus
Internal Auditor



Vernon Benjamin
Pharmacy Manager



Algernon Roberts
Assistant Pharmacy
Manager



Hubert Brown
IT Manager



Michael Bowen
Technical Support Officer

Supervisors



Nathalie Swift
Prevention Unit



Sharon Butters
Customer Service
Department



Bridgette Williams
Benefits Department



Norma Jarvis
Reconciliation
& Enforcement
Department



Fancier Skepple
Data Entry 2
Department



Sharon Farell
Head Cleaner



Bevon Mathias
Pharmacy
Department



Idona Hector
Data Entry 1
Department



Andre Bovell
Procurement
Department



Barrymore Chambers
Compliance Department



Morris Samuel
Head Maintenance
Department



Dorothy Graham
Nutrition Officer



From The Desk of the Superintendent

The Medical Benefits Scheme has been in existence for 32 years, a lifetime to many and a lifesaver to many more. It has, over the years, been a major support, supplying costly medication, at no cost, for nine legislated Non Communicable Diseases (NCDs). Over the last 10 years, it has reinvented itself as an active promoter of health and wellness. No wonder then that the Scheme has grown to become an irreplaceable part of the health care system in Antigua and Barbuda.

The MBS has pursued the health and wellness campaign, while maintaining and improving its core traditional functions and services: assistance for overseas treatment, medications for the nine listed diseases, hospitalizations, financial assistance for medical investigations and other services, and financial assistance to the government of Antigua and Barbuda in the construction and maintenance of hospitals and clinics.

Driving this prevention agenda over the last decade was the adoption of the Board's Statement of Policy Objectives in 2002. This Statement challenged the MBS to be less reactive and more proactive.

It reads, in part:

The Board believes that in addition to providing funding for the treatment of chronic diseases, the Scheme should also play a role in measures for their prevention and control. In particular, the Board believes that it is necessary to better understand the causes of these diseases, and to support programs to promote healthy behaviours.

Frequent screening programmes all around Antigua and Barbuda, school outreach programmes, road shows, and

disease-specific programmes are strong evidence of the Scheme's determination to promote health and wellness for all citizens and residents of Antigua and Barbuda.

Also, during the period under review – 2010 – there were two new and noteworthy achievements:

- » The enactment of the new Medical Benefits Act, 2010; and
- » The launch of the new Smart Card Initiative

The Medical Benefits Act 2010

Previously, all MBS benefits and services had been governed by the Medical Benefits Act of 1979 CAP 271 and its related regulations.

In 2001, the Board decided it was time for an upgrade, and engaged the services of a leading Caribbean legal luminary to take charge of this process. The new draft Act was the outcome. It set the stage for, among other things:

- » The establishment of a representative Board
- » Increasing the amounts refunded for benefits
- » Increasing the number of covered diseases
- » The compulsory coverage of self-employed persons
- » The voluntary registration of unemployed persons

Generally speaking, this new Act forms the basis for the long overdue reform of the Medical Benefits Scheme to address National Health Challenges and create a better future for all Antiguan and Barbudians.

MBS Smart Card Initiative

Accurate personal identification has been one of the greatest challenges for MBS over the years. The current MBS card without a picture ID is known to be a means of fraudulent activities such as persons receiving medications from our network of pharmacies, and services from our public hospital which they are not qualified to receive. MBS has entered into contractual agreement

with an international provider for the delivery of a Smart Card system to replace the current cards. These cards will double as a picture ID and a Health Card which will support electronic prescriptions and other medical services.

For example, a beneficiary who visits a doctor for one of the listed diseases will be required to present his/her smart card for authentication. The

attending physician will insert the card into a special reader and issue the prescription electronically. The prescription will then be filled at one of our pharmacies and our computer system will be updated in real time. This paperless approach will enhance the management of the organization by improving efficiency and customer service; it will also reduce or eliminate fraudulent activities.

Core Traditional Services

Payment of Contributions

The economic slow-down has impacted intake at the Medical Benefits Scheme. But the Scheme has been able to stem the tide mainly due to the consistent payment of contributions by those loyal employers who have ensured that the contributions held in trust for their employees are paid into the Scheme on a timely basis. In 2010, our cash collections of EC \$73.6 million was an increase of 23% over the previous year. This was due mainly to monthly contributions paid by the largest employer, central government, amounting to EC \$16.8 million.

Regular payment of contributions by employers is the best way to ensure that the Scheme is well positioned to effectively address health care challenges and needs in Antigua and Barbuda.

Beneficiaries

The Medical Benefits Scheme offers health care assistance to a wide cross-section of the population of Antigua and Barbuda. This includes:

- » Children under the age of sixteen years
- » Persons over the age of 60 years
- » Persons with one or more of the diseases covered by the Scheme, and
- » Persons who would have paid 26 weekly contributions into the Scheme within one calendar year.

Apart from refunding these persons for services outlined in the regulations, MBS provides a number of screening and educational services for the general public.

Our quarterly screenings at major supermarkets in Antigua and also at our annual road show screened over 2,375 people. A number of critical cases were referred for further medical investigations.

Additionally, MBS supports churches and community groups by providing health supplies and equipment for their local health fairs and screenings.

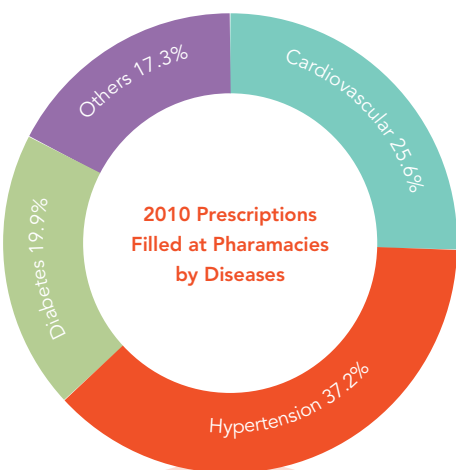
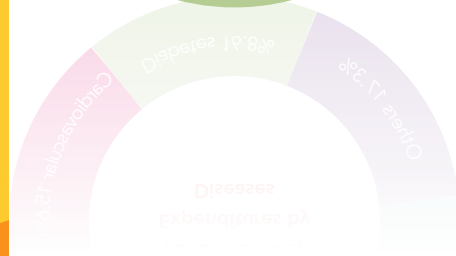
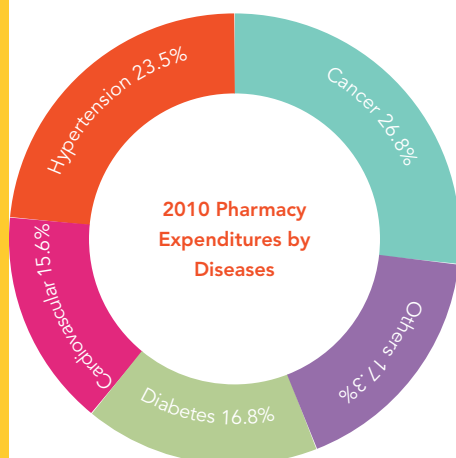
A total of 1428 persons were screened in 2010 by these voluntary groups.

Business Registration and Closure

During the year 2010, 696 new businesses were registered. These include self-employed persons and represent an increase of 19% over the year 2009 where the number of businesses registered was 585. However, the number of closed business for the year was significant. Three hundred and eighty four (384) businesses were closed which represents a 60% increase over the previous year, 2009. This high rate of business closure – 55% of the number of new businesses registered – is cause for concern to the Board and management of MBS.

Business Registration and Closures

	Number Registered	Number Closed
2008	420	-
2009	585	240
2010	696	384



Pharmacy Services

The procurement of medication for the beneficiaries of the Scheme constitutes the largest single expense for MBS. For 2010, EC \$15.172 million was spent on procuring medications for the diseases covered by the Scheme. As is shown, the expenditure for cancer has exploded in 2010 constituting 26.8% of our medication bill even though the least number of prescriptions seen at our pharmacies is for cancer patients – a mere 1.2%. It means that the cost to provide medication for one cancer patient is exponentially higher than for any other disease.

Of our six pharmacy locations, the main pharmacy at Nevis Street handles 46% of our prescription load. The two younger and smaller pharmacies – Johnson's Point and Grays Farm – are opened to the public until 1:00 p.m. daily but handle only 11% of our prescription load between them.

Types of Claims

Apart from receiving medications for one or more of the listed diseases, beneficiaries are entitled to refunds for a range of medical services and investigations. These include lab tests, ultra sounds and X-rays, MRI and CT Scans, mammograms, pap smears, surgeries, and EKG/ECGs. Of the 8,978 claims for refunds processed in 2010, 5565 (62.0%) were for lab tests and 1855 (20.1%) were for ultra sounds and x-rays.

Looking Ahead

The year 2010 will serve as the platform from which many new initiatives emerge. First, the form and structure of the Medical Benefits Scheme will transition into a full-fledged National Health Insurance Scheme or some hybrid version to better serve the health care needs of our people. MBS' fight against chronic Non-Communicable Diseases (NCDs) will intensify with new and innovative strategies and programmes that will increase national consciousness and create a healthier Antigua and Barbuda.

Superintendent
Cottrille L. George 1

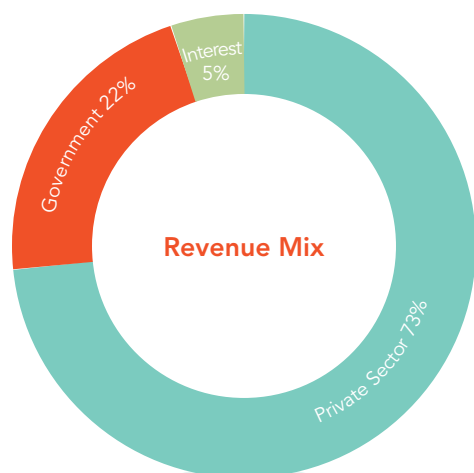
Financial Highlights

2010 was a tough year for many economies, including Antigua & Barbuda. Many businesses, especially those dependent on tourism, saw significant decline in revenue. A number of small businesses were unable to weather the economic storm and sunk. As a result of downsizing and business closures, Medical Benefit Scheme experienced a 21% fall in private sector revenue in 2010, when compared to the same period in 2009. The total impact of the fall in revenue contribution was reduced due to the fact that central government paid its 2010 contributions.

Revenue Mix

Our major source of revenue is the 7% contribution paid on employees' earnings. This is classified into private and government contribution. Another significant revenue category is interest from investment.

The diagram below outlines the revenue mix for 2010:



Meanwhile, interest income rose slightly to \$3.897million in 2010 from \$3.828 million in 2009.

Operating Expenses

The scheme continues to ensure that controllable costs are contained where possible. Efforts are made to exploit technology and other areas to keep costs down.

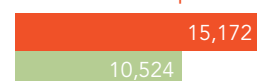
The key components of the organisation's cost are:

1. Direct expenses, which consist of reimbursement for claims made by our beneficiaries and purchase of pharmaceutical supplies distributed through our pharmacy network;
2. Administrative costs which are primarily salaries, wages and allowance as well as offices expenses; and
3. Donations to the Ministry of Health.

Schedules of our 2010 direct expenses are as follows:

	Direct Expenses	
	2010	2009
	\$000	\$000
Pharmaceutical Supplies	15,172	10,524
Services & Other Claims	1,395	1,536
Laboratory Benefit Claims	1,151	1,138
TOTAL	17,718	13,198

Direct Expenses



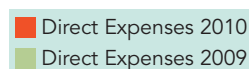
Pharmaceutical Supplies



Services & Other Claims



Laboratory Benefit Claims



Net Surplus

Overall, the organisation realized a net surplus of \$22.888 million. This is a remarkable performance, especially in these trying economic times.

Ministry of Health Donations

Expenses paid on behalf of the Ministry of Health amounted to \$23.543 million, down from \$25.028 million in 2009. This expense category includes payments made for pharmaceutical supplies for the central medical stores and loan payment on behalf of Mount St. John's Medical Centre.

Going forward, the financial climate is expected to be similarly challenging. However, the Medical Benefits Scheme is committed to its beneficiaries and will continue to innovate and utilise its resources in an efficient and effective manner to sustain services.

MBS Pharmacy Department

Always there to serve you

The Pharmacy Department is one of the critical engines of the Medical Benefits Scheme (MBS) machine. This department came into being in August 1990. Its main function is to provide pharmaceutical care for all beneficiaries who may be suffering from one or more of the nine (9) chronic diseases covered by the MBS regulation: Hypertension; Diabetes Mellitus; Cancer; Leprosy; Asthma; Glaucoma; Cardiovascular diseases; Certified Lunacy; and Sickle Cell Anaemia.

It should be noted that two (2) additional chronic diseases – Parkinson's and Epilepsy – will be added to the MBS lists of illnesses in accordance with new MBS legislation. The procurement department which was established to deal effectively with the sourcing, purchasing and distribution of MBS' pharmaceuticals will be even more critical. As a result, MBS pharmacies usually stock both brand and generic drugs – at a ratio of 1:1 – from a number of the world's leading manufacturers and distributors.

One of the aims of MBS is to bring pharmaceutical care to the door-step of each beneficiary. To wit, MBS has established a number of satellite pharmacies in various locations throughout Antigua and Barbuda. To date, there are functional satellite pharmacies in Clare Hall, Browne's Avenue, All Saint's, Johnson's Point and Gray's Farm respectively. At these locations, the satellite pharmacies

are a part of the government clinic services. There, beneficiaries seeking medical attention can access MBS dispensing services for pharmaceuticals related, but not limited, to the covered illnesses.

The average number of prescriptions processed at the six MBS pharmacy locations on a monthly basis are represented as follows:

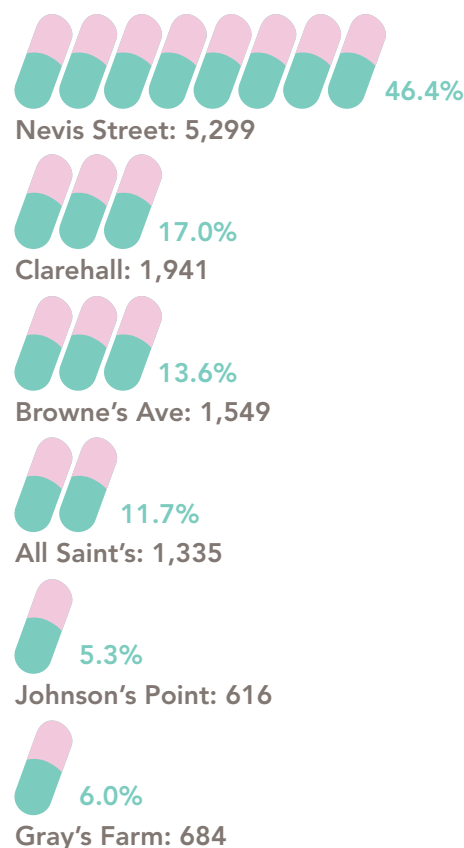
The Average Number of Prescriptions Serviced Monthly

Unit location	Average # of Prescription Serviced Monthly	Amount in %
Nevis Street	5,299	46.4%
Clarehall	1,941	17.0%
Browne's Ave	1,549	13.6%
All Saint's	1,335	11.7%
Johnson's Point	616	5.3%
Gray's Farm	684	6.0%

The data in the above table indicates that the Nevis Street Unit is the most utilized of these six pharmacies. By contrast, the Johnson's Point unit is the least utilized on a monthly basis. The management team of MBS will intensify its communications campaign to advise beneficiaries of the advantages of utilising the pharmacy closest to their home. Beneficiaries should be aware that all the pharmaceuticals offered at the Nevis Street unit are also

available at the other units. The only exception is Special Authorized Drugs (SAD), processed exclusively at the Nevis Street unit.

The Average Number of Prescriptions Serviced Monthly



This graphical representation above gives the average number of prescriptions that are processed at each MBS dispensing unit.

How vital is the service provided by the MBS pharmacy department? Well, consider this, the Medical Benefits pharmacies dispense over twelve thousand (12, 000) prescriptions monthly. On average, each prescription consists of four (4) items. Do the math.

It should be noted that MBS' pharmacies also provide prescriptions services to many of the other health institutions. These include: Mount St. John's Medical Centre; the Fiennes Institute; Clare Vue Psychiatric Hospital; Her Majesty's Prison; all registered nursing homes; and the Hanna Thomas Hospital in Barbuda.

The first half of the year utilized a higher portion of the expenditure than the latter half. In addition, purchase amounts peaked in the month of April.

What next for the MBS pharmacy department? It's fair to assume that in the current economic climate, people will be utilizing our services more in light of their own diminished means. We will be challenged to respond to this demand and to do so while improving and maintaining the quality of our service to both internal and external clientele. For many, we are the contact point and as such the face of the MBS. We must foster a good relationship with the community. We will achieve this through continuous internal training and public education programmes.

The economic climate also challenges us to better manage our scarce resources; as such, proper storage and usage of all pharmaceuticals cannot be overemphasized. In other words, all forms of wastage must be prohibited and non compliance reduced. Lives are at stake.



Addressing National Health Challenges; Creating a Better Future for All

Since its inception the Medical Benefits Scheme (MBS) has witnessed dramatic increases in lifestyle diseases – diabetes, hypertension, heart disease, cancers – across all age groups. The associated complications and costs are astronomical.

Clearly, equipping people with medications, while an admirable first step, would not be enough. So it was that in 2003, MBS experienced a paradigm shift from simply managing disease to preventing disease. Since that time its activities have been more proactive, and so effective that they've been admired and replicated in other countries.

Preventing lifestyle related chronic diseases means changing dietary habits and physical activity levels. Screening is also critical to identifying and reversing the disease track. In 2010 MBS expanded its screening activity, assisting faith based and non profit organizations with screening materials. Thousands have been screened as a result.

Bigger, better and far more comprehensive is the MBS Road Show. In June 2010, MBS provided screening for the 'usual culprit' diseases but also incorporated screening for breast cancer, prostate cancer and glaucoma. In-house experts also provided free public

lectures on maintaining good health and nutrition, and timely detection and management of glaucoma and prostate cancer. Each Road Show was packed with fun-filled physical activities for the public and included its first Cycle of Life. This new physical activity based event featured tyre racing, hoola hooping, and bicycling – all designed to keep people active.

The annual MBS Healthy Recipe Competition, meanwhile, brought mouth-watering dishes to the palates of curious beneficiaries and winning recipes were featured in the 2011 MBS calendar.



Lifestyle diseases such as diabetes can be controlled and in a few cases reversed by making Therapeutic Lifestyle Choices (TLC). However, applying the correct TLC requires education and motivation. In January 2010, MBS graciously accepted assistance from the University of Florida and introduced its "Take Charge of Your Diabetes" (TCYD) programme to persons with Diabetes. To get the programme going five highly educated professionals formed the team that trained forty participants within the health field from the Medical Benefits Scheme, the Ministry of Health, and Mount St. John Medical Centre. With the knowledge gained and through a collaborative effort from these three institutions, TCYD classes introduced people

living with diabetes to tools for better living. These

classes were held at MBS in the evenings and graduates were empowered to make better food choices, incorporate exercise into their daily routine, and ultimately take charge of their health.

They experienced improvements in their health that were mostly due to their own actions, and not their physician's. A testament to its popularity,

there is now a waiting list to get into the TCYD programme.

Children – whom it is MBS and the community's legal responsibility to protect – were also at risk from Non Communicable Diseases (NCDs). Action taken had to factor them in. MBS rose to the challenge. It joined hands in 2008 with the Ministries of Education, Sports, and Health to create multiple interventions all grouped together as the Physical Activity and Nutrition (PAN) Project.

PAN Project activities in 2010 included the extremely popular National Skip Rope Competition- both individual and team based. Speed and agility – plus incredible sportsmanship – were displayed by hundreds of participating athletes

in both the primary and secondary settings. Parents testified that their children lost weight and practiced avidly to win trophies and medals. In fact, in time, the entire country seemed to be skipping. Children began to skip outside of competition time. The PAN skip rope competitions have gained respect on the school sports calendar as events through which school pride can be bolstered and trophies won. MBS was actually successful in prompting lifestyle change among the nation's youth.

We had the opportunity to share the success of this PAN Project, along with others such as the Smart Dollar Recipe Competition, at the 5th





“The PAN Skip Rope Competitions have gained respect on the school sports calendar as events through which school pride can be bolstered and trophies won.”

Caribbean Conference on National Health Financing Initiatives in Belize in November 2010. Also, in Dominica, in December 2010, MBS was invited to share its success in tackling childhood obesity with its neighbour via a nationwide address. Dominica has since introduced a hoola hoop programme and is reporting success with this initiative.

We are happy to share. After all, our own programme has benefited from local, regional and international partnerships. Kudos to the staff for their creativity in tackling a crippling national lifestyle and to the leadership that recognized good ideas when they saw it and wasn't shy about blazing a trail.

The proof of its efforts will be in the healthier and more expansive lifespan enjoyed by all.



Medical Benefits Scheme Financial Statements December 31, 2009

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
MEDICAL BENEFITS SCHEME

Report on the Financial Statements

We have audited the financial statements of Medical Benefits Scheme (the Scheme), set out on pages 3 to 21 which comprise the statement of financial position as at December 31, 2009, statements of comprehensive income and expenditure, accumulated surplus and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Scheme as at December 31, 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



INDEPENDENT AUDITORS' REPORT *(cont'd)*

To the Board of Directors of
MEDICAL BENEFITS SCHEME

Emphasis of Matters

Without qualifying our opinion, we draw attention to notes 9 and 21 in the financial statements:

- The amount due from Government of Antigua and Barbuda of EC\$251,722,353 (2008: EC\$233,242,353) is long outstanding and no provision for doubtful receivables in respect of this amount has been made in the financial statements because the amount is due from a sovereign government. The failure of the government to settle its indebtedness to the Scheme could result in severe financial consequences which could threaten its long-term survival.
- The Scheme has an investment of \$16,855,440 with related outstanding interest of \$419,159 in British American Insurance Company. Ltd., a subsidiary of CL Financial Limited. This group is currently encountering financial difficulties and there is uncertainty regarding the adequacy of the impairment provision against these amounts. It is not possible to determine with a reasonable degree of certainty whether any additional impairment provisions are necessary for short term investments and interest receivable on investments.

A handwritten signature in dark ink, appearing to be 'KPMG' or a similar stylized mark.

Chartered Accountants
June 29, 2011

Antigua and Barbuda

MEDICAL BENEFITS SCHEME



Statement of Financial Position

December 31, 2009
with comparative figures for 2008

(Expressed in Eastern Caribbean Dollars)

	Notes	2009	2008
Assets			
Current Assets:			
Cash in hand and at bank		\$ 11,632,534	6,216,902
Contributions receivable	4	9,453,145	7,009,545
Other receivables	5	316,269	467,278
Interest receivable		2,016,555	2,632,175
Short-term investments	6, 16	67,435,456	81,363,676
Inventories	7	9,336,966	4,327,037
Prepaid expenses		108,195	77,803
Total Current Assets		<u>100,299,120</u>	<u>102,094,416</u>
Non-current Assets:			
Quasi-government receivable	8	7,699,087	7,406,307
Due from Government of Antigua and Barbuda	9	251,722,353	233,242,353
Intangible assets	10	763,659	1,126,436
Property and equipment	11	<u>26,694,232</u>	<u>13,111,322</u>
Total Non-current Assets		<u>286,879,331</u>	<u>254,886,418</u>
Total Assets		<u>\$ 387,178,451</u>	<u>356,980,834</u>
Liabilities and Accumulated Surplus			
Current Liability:			
Accounts payable and accruals		\$ 15,387,285	13,852,165
Total Current Liability		<u>15,387,285</u>	<u>13,852,165</u>
Non-current Liability:			
Deferred interest	12	<u>18,208</u>	<u>29,018</u>
Total Non-current Liability		<u>18,208</u>	<u>29,018</u>
Accumulated Surplus		<u>371,772,958</u>	<u>343,099,651</u>
Liabilities and Accumulated Surplus		<u>\$ 387,178,451</u>	<u>356,980,834</u>

Approved on behalf of the Board

 Chairperson  Director
The notes on pages 7 to 21 are an integral part of these financial statements.

MEDICAL BENEFITS SCHEME

Statement of Comprehensive Income and Expenditure

Year ended December 31, 2009
with comparative figures for 2008

(Expressed in Eastern Caribbean Dollars)

	<u>Notes</u>	<u>2009</u>	<u>2008</u>
Income:			
Contributions and surcharges	13	\$ <u>81,320,094</u>	<u>84,036,151</u>
Direct Expenses:			
Pharmacy drugs dispensation		10,523,576	11,401,653
Drugs, medical supplies and services		1,684,958	1,718,408
Benefits paid		<u>1,137,687</u>	<u>1,173,072</u>
		<u>13,346,221</u>	<u>14,293,133</u>
Surplus of contributions over benefits		<u>67,973,873</u>	<u>69,743,018</u>
Expenses/(Other Income):			
Administrative expenses	14	15,032,605	14,764,447
Bad debt expense	4	267,116	56,822
Interest expense		10	126
Amortisation and depreciation	10, 11	1,177,470	1,173,122
Interest income		(3,828,114)	(5,015,985)
Other income		(62,495)	(6)
Impairment loss	6	<u>1,685,544</u>	<u>1,944,720</u>
		<u>14,272,136</u>	<u>12,923,246</u>
Income before donations		53,701,737	56,819,772
Donation to the Ministry of Health	15	<u>25,028,430</u>	<u>32,071,001</u>
Net income for the year		\$ <u>28,673,307</u>	<u>24,748,771</u>
Total comprehensive income		\$ <u>28,673,307</u>	<u>24,748,771</u>

The notes on pages 7 to 21 are an integral part of these financial statements.

MEDICAL BENEFITS SCHEME

Statement of Accumulated Surplus

Year ended December 31, 2009
with comparative figures for 2008

(Expressed in Eastern Caribbean Dollars)

	<u>Accumulated Surplus</u>
Balance at January 01, 2008	\$ 318,350,880
Net income for the year	<u>24,748,771</u>
Balance at December 31, 2008	343,099,651
Net income for the year	<u>28,673,307</u>
Balance at December 31, 2009	\$ <u>371,772,958</u>

The notes on pages 7 to 21 are an integral part of these financial statements.

MEDICAL BENEFITS SCHEME

Statement of Cash Flows

Year ended December 31, 2009
with comparative figures for 2008

(Expressed in Eastern Caribbean Dollars)

	<u>Notes</u>	<u>2009</u>	<u>2008</u>
Cash flows from operating activities			
Net income for the year		\$ 28,673,307	24,748,771
Adjustments for:			
Provision for doubtful accounts		267,116	56,822
Provision for impairment	6	1,685,544	1,944,720
Amortisation and depreciation	10, 11	1,177,470	1,173,122
Pension expense		2,057,770	1,822,072
Interest expense		10	126
Interest income		<u>(3,828,114)</u>	<u>(5,015,985)</u>
Operating income before changes in working capital		30,033,103	24,729,648
Increase in contributions receivable		(2,710,716)	(568,219)
(Decrease)/increase in other receivable		151,009	(93,599)
Increase in inventories		(5,009,929)	(1,562,438)
Increase in prepayments		(30,392)	(77,803)
Increase in Quasi-government receivables		(292,780)	(285,306)
Increase in due from Government of Antigua and Barbuda		(18,480,000)	(3,098,121)
(Decrease)/increase in accounts payable and accruals		(401,793)	475,648
Decrease in deferred interest		<u>(10,810)</u>	<u>(13,601)</u>
Cash generated from operations		3,247,692	19,506,209
Interest paid		(10)	(126)
Pensions paid		<u>(120,857)</u>	<u>(242,939)</u>
Net cash provided by operating activities		<u>3,126,825</u>	<u>19,263,144</u>
Cash flows from investing activities			
Investments		12,242,676	(23,346,650)
Purchase of property and equipment	11	(14,140,479)	(23,941)
Purchase of intangible assets	10	(257,124)	(441,285)
Interest received		<u>4,443,734</u>	<u>4,256,346</u>
Net cash provided by/(used in) investing activities		<u>2,288,807</u>	<u>(19,555,530)</u>
Increase/(decrease) in cash and cash equivalents		5,415,632	(292,386)
Cash and cash equivalents, beginning of year		<u>6,216,902</u>	<u>6,509,288</u>
Cash and cash equivalents, end of year		\$ <u>11,632,534</u>	<u>6,216,902</u>
Represented by:			
Cash in hand and at bank		\$ <u>11,632,534</u>	<u>6,216,902</u>

The notes on pages 7 to 21 are an integral part of these financial statements.

MEDICAL BENEFITS SCHEME

Notes to Financial Statements

December 31, 2009

1. **Reporting Entity:**

The Medical Benefits Scheme (the Scheme) was established under the provisions of the Medical Benefits Act 1978 as amended to provide financial and other assistance towards the cost of medical services in Antigua and Barbuda.

The Scheme operates from premises located on Nevis Street, St. John's, Antigua.

2. **Basis of Preparation**

(a) *Statement of Compliance:*

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with the provisions of the Medical Benefits Act.

The financial statements were approved by the Board of Directors on June 29, 2011.

(b) *Basis of Preparation:*

The financial statements have been prepared on the historical cost basis.

(c) *Functional and Presentation Currency:*

The financial statements are presented in Eastern Caribbean dollars which is the Scheme's functional currency. All financial information presented in Eastern Caribbean Dollars has been rounded to the nearest dollar.

(d) *Use of Estimates and Judgments:*

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

MEDICAL BENEFITS SCHEME

Notes to Financial Statements (*cont'd*)

December 31, 2009

2. **Basis of Preparation:** (*cont'd*)

(e) *Changes in Accounting Policies and Disclosures:*

The accounting policies adopted are consistent with those of the previous financial year except the adoption of revised International Financial Reporting Standards (IFRS) as mentioned below:

	<u>Accounting Standards</u>	<u>Effective Date</u>
Revised IAS 1	<i>Presentation of Financial Statements</i>	1 January, 2009
Revised IAS 23	<i>Borrowing Costs</i>	1 January, 2009

- Revised IAS 1, *Presentation of Financial Statements*, introduces as a financial statement (formerly “primary” statement) the “statement of comprehensive income” (i.e., changes in equity during a period, other than those changes resulting from transactions with owners in their capacity as owners), which is presented either in : (a) one statement (i.e, a statement of comprehensive income); or (b) two statements (i.e., an income statement and a statement beginning with profit or loss and displaying components of other comprehensive income). The revised standard also prohibits presenting components of comprehensive income in the statement of accumulated surplus.

Other requirements in the revised standard that are not current IAS 1 requirement includes: (a) a statement of financial position (formerly “balance sheet”) is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements; (b) reclassification adjustments to profit or loss of amounts previously recognized in other comprehensive income (formerly “recycling”) are disclosed for each component of other comprehensive income; (c) income tax is disclosed for each component of other comprehensive income; (d) dividends and related per-share amounts are disclosed either on the face of the statement accumulated surplus or in the notes.

Revised IAS 1, which is mandatory for 2009 financial statements, only impacts the presentation aspects of the Scheme’s financial statements.

- Revised IAS 23, *Borrowing Costs*, removes the option of immediately recognising all borrowing costs as an expense, which was the benchmark treatment in the previous standard. The revised standard requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Revised IAS 23, which is mandatory for 2009 financial statements, does not have any significant impact on the Scheme’s financial statements.

MEDICAL BENEFITS SCHEME

Notes to Financial Statements (*cont'd*)

December 31, 2009

2. **Basis of Preparation:** (*cont'd*)

(f) *New Standards and Interpretations not yet Adopted:*

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2009, and have not been applied in preparing these financial statements. None of these will have an effect on the financial statements of the Scheme.

3. **Summary of Significant Accounting Policies:**

The significant accounting policies adopted in the preparation of these financial statements by the Scheme are as follows:

(a) *Cash in Hand at Bank:*

Cash in hand and at bank comprise cash balances. Bank overdraft is repayable on demand forms an integral part of the business and is included as a component of cash in hand and at bank for the purpose of the statement of the cash flows.

(b) *Contributions Receivable and Other Receivables:*

Contributions receivable from Government and private sector is recorded on an accrual basis.

Other receivables are stated at their cost less impairment losses.

(c) *Inventories:*

Inventories are measured at the lower of cost and net realisable value. Cost of inventories is based on the first in first out principle, and includes only the purchase cost of the inventory items.

(d) *Intangible Assets:*

Intangible assets represent computer software and are stated at cost less accumulated amortisation and impairment losses. Intangible assets are amortised over three to five (3-5) years, from the date that they are available for use.

MEDICAL BENEFITS SCHEME

Notes to Financial Statements (*cont'd*)

December 31, 2009

3. Summary of Significant Accounting Policies: (*cont'd*)

(e) *Property and Equipment:*

Property and equipment are stated at their cost less accumulated depreciation and impairment losses. The costs of repairs and replacements of a routine nature are charged to the statement of comprehensive income and expenditure whilst those expenditure that improve or extend the useful life of the assets are capitalised. Depreciation is provided on property and equipment using the straight line method at rates considered adequate to write off the cost of this depreciable property and equipment, less residual value, over their estimated useful lives. The annual rates used are as follows:

Buildings	2% per annum
Office furniture and equipment	20% per annum
Computer equipment	20%-33 1/2% per annum
Motor vehicles	20% per annum
Generator	10% per annum

(f) *Income Recognition:*

Contribution income and surcharges are recognized on an accrual basis in the statement of comprehensive income and expenditure.

(g) *Direct Expenses:*

Direct expenses are recognised in the statement of comprehensive income and expenditure on an accrual basis as they are incurred.

(h) *Provisions:*

Provisions are recognised when the Scheme has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

(i) *Investments:*

Investments classified as held to maturity are stated at amortised cost. Interest earned while holding such deposits is reported as interest income.

Held to maturity investments for which fair values cannot be measured reliably are recognised at cost less impairment. When the investments are disposed of or impaired, the related accumulated fair value adjustments are included in the statement of comprehensive income and expenditure as gains and losses from investments.

MEDICAL BENEFITS SCHEME

Notes to Financial Statements (*cont'd*)

December 31, 2009

3. **Summary of Significant Accounting Policies:** (*cont'd*)

(j) *Impairment:*

The carrying amounts of the Medical Benefit Scheme's assets, other than inventories, are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generated unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income and expenditure.

(k) *Accounts Payable:*

Accounts payable are stated at cost.

(l) *Foreign Currency Transactions:*

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to Eastern Caribbean Dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income and expenditure. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Eastern Caribbean Dollars at foreign exchange rates ruling at the dates the values were determined.

(m) *Employee Benefits:*

The Scheme has an unfunded non-contributory defined benefit plan covering substantially all of its regular employees.

The Scheme's net obligation in respect of its pension plan is calculated by estimating the amount of future benefits that employees have earned in return for their services in the current and prior periods. The benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discounted rate is to yield at the statement of financial position date of long-term government bonds that have maturity dates approximating the terms of the Scheme's plans. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of the plan are improved, the portion of the increased benefit relating to the past service employees is recognized as an expense in the statement of comprehensive income and expenditure on a straight-line basis over the average period until the benefits become vested. To the extent that benefits vests immediately, the expense is immediately recognized in the statement of comprehensive income and expenditure.

MEDICAL BENEFITS SCHEMENotes to Financial Statements (*cont'd*)

December 31, 2009

4. Contributions Receivables:

	<u>2009</u>	<u>2008</u>
Private Sector	\$ 17,870,812	15,155,701
Less: Provision for doubtful accounts	<u>(8,417,667)</u>	<u>(8,146,156)</u>
	<u>\$ 9,453,145</u>	<u>7,009,545</u>

This amount relates to both employee and employer contributions receivables at year end, from private sector employers on an accrual basis.

5. Other Receivables:

	<u>2009</u>	<u>2008</u>
Staff receivables	\$ 91,755	147,055
Other	<u>224,514</u>	<u>320,223</u>
	<u>\$ 316,269</u>	<u>467,278</u>

6. Short-term Investments:

Short-term investments are comprised of one (1) year fixed deposits and savings accounts, which earn interest at their respective annual rates.

Held to Maturity:

Fixed deposits and savings accounts:	<u>2009</u>	<u>2008</u>
ABI Bank Limited	\$ 19,665,329	24,060,740
British American Insurance Company Limited	16,855,440	16,855,440
Bank of Antigua Limited	13,269,922	16,248,799
Caribbean Union Bank	11,480,028	19,509,866
Antigua Commercial Bank	7,436,796	716,551
Community First Corporative Credit Union Limited	6,360,986	6,000,000
St. John's Co-operative Credit Union Limited	<u>2,480,219</u>	<u>-</u>
Total short-term investments	77,548,720	89,791,396
Provision for impairment – British American Insurance Company Ltd.	<u>(10,113,264)</u>	<u>(8,427,720)</u>
	<u>\$ 67,435,456</u>	<u>81,363,676</u>

MEDICAL BENEFITS SCHEMENotes to Financial Statements (*cont'd*)

December 31, 2009

7. Inventories:

	<u>2009</u>	<u>2008</u>
Drugs	\$ 9,054,861	4,148,979
Stationery	282,105	144,505
Goods-in-transit	<u>-</u>	<u>33,553</u>
	<u>\$ 9,336,966</u>	<u>4,327,037</u>

8. Quasi-government Receivables:

	<u>2009</u>	<u>2008</u>
Contributions	\$ <u>7,699,087</u>	<u>7,406,307</u>

This amount represents contributions due from Antigua Public Utilities Authority (APUA) from inception of the Scheme to date.

9. Due from Government of Antigua and Barbuda:

	<u>2009</u>	<u>2008</u>
Contributions receivables	<u>\$251,722,353</u>	<u>233,242,353</u>

This represents employee and employer contributions to the Scheme due from government departments. The government contributions receivables are extracted from R3A forms submitted to the Scheme by the various Government institutions and have been classified as a non-current asset because government departments have not paid their contributions over the years.

MEDICAL BENEFITS SCHEMENotes to Financial Statements (*cont'd*)

December 31, 2009

10. Intangible Assets:

	<u>Computer Software</u>
Cost:	
At January 01, 2009	\$ 1,757,096
Additions	257,124
Disposals	<u>-</u>
At December 31, 2009	\$ <u>2,014,220</u>
Amortisation:	
At January 01, 2009	\$ 630,660
Charge for the year	619,901
Written back on disposals	<u>-</u>
At December 31, 2009	\$ <u>1,250,561</u>
Carrying Value:	
At December 31, 2009	\$ <u>763,659</u>
At January 01, 2009	\$ <u>1,126,436</u>

MEDICAL BENEFITS SCHEMENotes to Financial Statements (*cont'd*)

December 31, 2009

11. Property and Equipment:

	Land	Buildings	Office, Furniture and Equipment	Computer Equipment	Motor Vehicles	Generator	Total
Cost:							
At January 01, 2008	\$ 2,832,725	12,467,988	2,233,771	3,429,313	301,039	308,680	21,573,516
Additions	-	-	23,941	-	-	-	23,941
Disposals/transfers	-	-	-	-	-	-	-
At December 31, 2008	2,832,725	12,467,988	2,257,712	3,429,313	301,039	308,680	21,597,457
Additions	3,523,100	10,404,900	108,889	31,590	-	72,000	14,140,479
Disposals/transfers	-	-	-	-	-	-	-
At December 31, 2009	\$ 6,355,825	22,872,888	2,366,601	3,460,903	301,039	380,680	35,737,936
Depreciation:							
At January 01, 2008	\$ -	2,313,939	2,072,881	2,994,476	126,092	265,643	7,773,031
Charge for the year	-	249,360	105,185	313,544	37,842	7,173	713,104
Written back	-	-	-	-	-	-	-
At December 31, 2008	-	2,563,299	2,178,066	3,308,020	163,934	272,816	8,486,135
Charge for the year	-	396,763	41,038	69,653	37,842	12,273	557,569
Written back	-	-	-	-	-	-	-
At December 31, 2009	\$ -	2,960,062	2,219,104	3,377,673	201,776	285,089	9,043,704
Carrying Value:							
At December 31, 2009	\$ 6,355,825	19,912,826	147,497	83,230	99,263	95,591	26,694,232
At December 31, 2008	\$ 2,832,725	9,904,689	79,646	121,293	137,105	35,864	13,111,322

MEDICAL BENEFITS SCHEMENotes to Financial Statements (*cont'd*)

December 31, 2009

12. Deferred Interest:

	<u>2009</u>	<u>2009</u>
Deferred interest on staff loans	\$ <u>18,208</u>	<u>29,018</u>

Deferred interest represents the interest on staff loans which have not been recognised. The amount will be amortized over the period of the loan.

13. Surcharge:

The Scheme applies a ten (10%) percent surcharge on the contributions that have not been remitted within the fourteen (14) days grace period granted for remittance of monthly contributions.

14. Administrative Expenses:

	<u>Notes</u>	<u>2009</u>	<u>2008</u>
Payroll and related costs	17	\$ 7,072,140	7,138,637
Pension expense	18	2,057,770	1,822,072
Stationery and office supplies		812,369	1,459,393
Repairs and maintenance		774,810	516,149
Utilities		606,418	585,539
Preventative health programs		618,620	590,789
Professional fees		527,259	437,560
Traveling and transportation		383,978	390,253
Insurance		379,623	344,492
Directors' fees		376,520	279,636
Meals and other allowances		286,168	231,694
Security		302,245	180,475
Uniforms		169,237	161,765
Rent		144,160	110,160
Staff training		133,589	165,056
Write offs		111,321	-
Anniversary celebrations		69,371	-
Sponsorships, gifts and donations		-	114,993
Advertising and promotion		43,580	91,643
Bank charges		30,498	25,021
Freight charges		19,207	14,444
Miscellaneous		<u>113,722</u>	<u>104,676</u>
		\$ <u>15,032,605</u>	<u>14,764,447</u>
Administrative expenses as a percentage of contribution income		<u>19%</u>	<u>18%</u>

MEDICAL BENEFITS SCHEMENotes to Financial Statements (*cont'd*)

December 31, 2009

15. Donations to the Ministry of Health:

Donations to the Ministry of Health represent the expenses paid by the Scheme on behalf of the Government of Antigua and Barbuda in respect of various expenditure categories pertaining to the provision of health services and procurement.

16. Mount St. John's Hospital Loan:

On August 14, 1998, the Medical Benefits Scheme together with the Government of Antigua and Barbuda and Mount St. John's Medical Centre Limited entered into a loan agreement with the Bank of Antigua Limited to borrow US\$31,000,000 for the construction of the new Mount St. John's Medical Centre.

The loan bears interest at the rate of nine and eight tenths (9.8%) percent per annum and is repayable over a period of thirty (30) years from August 1, 2000. Presently the Board is required to maintain a minimum fixed deposit of EC\$4,000,000 (included in cash in hand and at bank) and make monthly installments of EC\$735,000 to service the loan interest during the period of construction.

The loan repayments made by the Scheme have been treated in the financial statements as a donation to the Ministry of Health.

17. Personnel Expenses:

	<u>2009</u>	<u>2008</u>
Salaries and wages	\$6,398,954	6,508,659
Medical Benefits contributions	216,466	222,349
Social Security contributions	264,656	248,916
Others	<u>192,064</u>	<u>158,713</u>
	<u>\$7,072,140</u>	<u>7,138,637</u>
Average number of employees	<u>124</u>	<u>117</u>

MEDICAL BENEFITS SCHEME

Notes to Financial Statements (*cont'd*)

December 31, 2009

18. Pension Scheme:

The Scheme sponsors a defined benefit complementary pension scheme, in accordance with the provisions applicable to the public officers. The Scheme is unfunded, non-contributory and operates on a pay-as-you-go basis.

The amounts recognized in the statement of comprehensive income and expenditure are as follows:

	<u>2009</u>	<u>2008</u>
Current service cost	\$ 448,747	448,747
Interest costs	447,048	447,048
Amortisation of past service cost	<u>1,161,975</u>	<u>926,277</u>
Pension expense	\$ <u>2,057,770</u>	<u>1,822,072</u>

Movements in the liability for defined benefit obligations recognized in the statement of financial position are as follows:

	<u>2009</u>	<u>2008</u>
Balance at the start of the year	\$ 10,488,939	8,909,806
Expense recognized in the statement of comprehensive income and expenditure	2,057,770	1,822,072
Pensions paid during the year	<u>(120,857)</u>	<u>(242,939)</u>
Balance at the end of the year	\$ <u>12,425,852</u>	<u>10,488,939</u>

Principal actuarial assumptions at the statement of financial position date are as follows:

	<u>2009</u>	<u>2008</u>
Annual rates		
Discount rate	7%	7%
Future salary increases	5%	5%

19. Taxation:

The Medical Benefits Scheme was established by the Medical Benefits Act 1978 and is exempted from income tax.

MEDICAL BENEFITS SCHEME

Notes to Financial Statements (*cont'd*)

December 31, 2009

20. Financial Instruments:

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity of another entity. Financial assets of the Scheme consist of cash in hand and at bank, contributions receivable, other receivable, interest receivable, short-term investments, quasi-government receivable and due from the government of Antigua and Barbuda. Financial liability includes, accounts payable and accruals.

(a) Financial Risk Factors:

The Scheme's activities expose it to a variety of financial risks, including the effects of changes in debt market prices, and interest rates. Management seeks to minimize the potential adverse effects on the financial performance of the Scheme by applying procedures to identify, evaluate and manage these risks, based on guidelines set by the Board of Directors.

(i) Price Risk:

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all instruments traded in the market. The Scheme has no significant exposure to such risk.

(ii) Interest Rate Risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk is affected where there is a mismatch between interest earning assets and interest bearing liabilities, which are subject to interest rate adjustments within a specified period. The Scheme's exposure to interest rate risk is disclosed in notes 6 and 12.

(iii) Currency Risk:

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The main currencies giving rise to this risk are the Eastern Caribbean Dollar and United States Dollar arising from purchasing transactions. The Scheme does not face any such risk since it transacts its operations in Eastern Caribbean Dollars, which is its functional currency. The United States Dollar, in which the Scheme also transacts business, is fixed in relation to the Eastern Caribbean Dollar.

(iv) Credit Risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Scheme's exposure to credit risk is dependent on the degree of failure of counter parties, including its agents, and others, to honour their obligations that could result in losses.

MEDICAL BENEFITS SCHEME

Notes to Financial Statements (*cont'd*)

December 31, 2009

20. Financial Instruments: (*cont'd*)

(a) Financial Risk Factors: (*cont'd*)

(iv) Credit Risk: (*cont'd*)

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	<u>2009</u>	<u>2008</u>
Cash in hand and at bank	\$ 11,632,534	6,216,902
Contributions receivable	9,453,145	7,009,545
Other receivables	316,269	467,278
Interest receivable	2,016,555	2,632,175
Short-term investments	67,435,456	81,363,676
Quasi-government receivable	7,699,087	7,406,307
Due from the Government of Antigua and Barbuda	<u>251,722,353</u>	<u>233,242,353</u>
	<u>\$ 350,275,399</u>	<u>338,338,236</u>

Credit risk in respect of contributions receivable, other receivables, interest receivable, short-term investments, Quasi-government receivable and due from the Government of Antigua and Barbuda is limited as these balances are shown net of a provision for doubtful debts. Cash in hand and at bank are held with financial institutions, which represent minimum risk of default.

(v) Liquidity Risk:

Liquidity risk is the risk that the Scheme will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

(b) Fair Value

The fair value of cash in hand and at bank, interest receivables, short-term investments and accounts payable and accruals is not materially different from their carrying amount due to their short-term period to maturity.

It is not practical to determine the fair value of contributions receivable, other receivables, Quasi-government receivable and due from Government of Antigua and Barbuda, because all information for this determination is not available.

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

MEDICAL BENEFITS SCHEME

Notes to Financial Statements (*cont'd*)

December 31, 2009

21. Contingencies:

CL Financial Limited ("CL"), the ultimate parent company of CLICO International Life Insurance Limited ("Clico Life"), Caribbean Money Market Brokers (CMMB), and British American Life Insurance Company, was forced to cede control of large portions of its insurance, investment banking and brokerage operations to the Government of Trinidad and Tobago.

The Government and Central Bank of Trinidad and Tobago, where CL is incorporated, and the Government of Barbados, where Clico Life is incorporated, have undertaken by way of public pronouncements, to protect the interest of all Clico's insurance and pension fund clients. However, the Superintendent of Insurance in Antigua intervened in the operations of CLICO International Life Insurance Limited ("Clico Life") because of the company's inability to fully discharge its liabilities as they became due.

British American Insurance Company Limited in Antigua has been placed under Judicial Management in July 2009 by way of a Court Order. The future operations of the company are currently being assessed and as such, the value of the company's investment cannot be ascertained at this point in time.

The outcome of the undertakings cannot be guaranteed.

An impairment provision has been made in respect of the investment in British American Insurance Company Limited.

As at the balance sheet date, the Scheme had the following investments in a subsidiary of CL Financial Limited:

<u>Company</u>	<u>Investment</u>	<u>Accrued Interest</u>
British American Insurance Company	\$ <u>16,855,440</u>	<u>419,159</u>



Medical Benefits Scheme

CORPORATE INFORMATION

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Satellite Pharmacies Locations

All Saints Health Centre
Browne's Avenue Health Centre
Clare Hall Health Centre
Gray's Farm Health Centre
Johnson's Point Health Centre

