

The Government Minute - 2003

On the Report of the Standing Public Accounts Committee on the
Report of the Auditor General on the Financial Statements of the
Government of the Cayman Islands for the six-month period ended 30 June 2003

By the Hon. Kenneth Jefferson, J.P., Financial Secretary

Madam Speaker, in accordance with the requirements of Section 74(7) of the Legislative Assembly Standing Orders (revised), the Government Minute for the six-month period ended 30th June 2003 is hereby presented.

As Members are aware, the Minute constitutes the Government's response to the Report of the Public Accounts Committee (PAC), on the Report of the Auditor General on the financial statements of the government of the Cayman Islands for the six-month period ended 30th June 2003. This particular Minute is in response to the PAC Report that was laid on the Table of this House on 9th November 2006.

As in previous Minutes, the statements contained herein should be regarded as that of the Government, and are based (where necessary) on the views of respective Chief Officers, Heads of Departments and Managers within the Cayman Islands Public Service.

In order to facilitate easy cross-referencing, the heading sequence of this Minute follows exactly that of the related PAC Report.

INTRODUCTION

Madam Speaker, it should be noted that the Public Management and Finance Law, supported by Financial Regulations, was implemented by the Government on 1st July, 2004 after the preparation of the Auditor General's Report on the Financial Statements for the six-month period ended 30 June 2003. The Public Management and Finance Law and the Financial Regulations require Government agencies to practise responsible financial management and implement effective and efficient management systems. Since its implementation, Government agencies have been diligently improving and refining their operational systems, policies and procedures and ensuring that they are in compliance with the Law and the Regulations.

SECTION 12 – IMMIGRATION SECURITY DEPOSITS

The balance on the immigration deposit liability is reported as an executive liability account under the Portfolio of Internal & External Affairs. As recommended, the balance will be transferred to a trust account during the fiscal year ending June 30, 2008. The Immigration Department will continue to refund requested claims reducing the stated amount of \$6,389,343.

SECTION 13 – OVERSEAS MEDICAL ADVANCES

Madam Speaker, when the Government adopted accrual-based accounting on 1st July 2004, all overseas medical loans are properly accounted for on the government's balance sheet. Loans in arrears are first passed to the Debt Recovery Unit (DRU) within the Treasury Department for collection. Loans are reviewed at the end of each financial year and those considered uncollectible, are included in the provision for doubtful debts.

The DRU is responsible for uncollectible amounts and recommends debts for write-off only after all efforts have been exhausted. Examples where a write-off is recommended would include cases where the debtor is elderly, unemployed, and has no surety, or where the debtor is a minor when treatment was received and there is no surety.

A significant write-off of overseas medical advances amounting to \$13.5 million was approved by the Legislative Assembly leaving a balance of \$7,064,248 as at 30 June 2004. However, the DRU continues its collection efforts on these balances.

In regards to collateral, Madam Speaker, the DRU endeavors to obtain charges on property whenever property is owned by the debtor or any of the sureties. While all efforts will be made to have the collateral insured, experience has shown that this is not always practical.

Madam Speaker, research and site visits have been performed to establish the range of opportunities available to the Cayman Islands Government wherein direct contractual agreements can be entered into with the following surveyed health care facilities overseas in non-US locations with whom the Cayman Islands National Insurance Company (CINICO) has made initial contact:

- a. **JAMAICA** - Jamaica already is in-network and operational with CINICO with great success in cost effectiveness and first quality of healthcare service delivery primarily by the University Hospital of the West Indies, Tony Thwaites Private Wing. Tony Thwaites offers excellence in the delivery of open heart surgery, plastics and reconstructive surgery, laparoscopic surgery, neurosurgery, bronchoscopy, Gastro Intestinal Endoscopy, Angiography, Ophthalmology, CAT Scan, MRI Scan, Ultrasound, Mammography, Pediatrics, Sleep Studies, Intensive Care, Orthopedics, Pulmonology.

St. Joseph's Hospital is also an in-network provider of excellent services to CINICO as the back-up facility to UHWI Tony Thwaites Wing and also offers in-patient and out-patient mental health programmes at cost savings efficiencies comparable in cost to Group Community Homes which is the present provider to CINICO of mental health long term care in Jamaica for cases which are too complex for long term local care at the H.S.A.

The Jamaican provider of service for radiation and oncology services is The Radiation Oncology Centre of Jamaica where full courses of 6 weeks duration of oncology therapy is accessed at a total case cost of US\$16,000.00.

These Jamaican providers are excellent and our CINICO direct contractual agreements are managed from within CINICO to maintain costs at lowest levels of cost containment with no third party access or management cost involvement. The Jamaican network can be expanded further upon the completion of the Portmore Hospital, a new hospital architecturally designed and operated by US/Canadian management, to be built within the next 12 months.

- b. **PANAMA** - Panama has a huge UK influence and has become a trading partner of goods and services with the Cayman Islands primarily due to increased mutual interests of the Cayman Islands and the Panamanian governments.

In March of 2006, the Honorable Minister and Chief Officer for Health & Human Services, the Chairman of the Board of H.S.A., the Chief Medical Officer and the General Manager of CINICO toured the newly-built Hospital Punta Pacifica in Panama.

This state-of-the-art digital hospital is first class in every possible way. The hospital is affiliated with world class Johns Hopkins Medicine with the building being newly built and furnished with the finest digital diagnostics and operating room technologies available today in the healthcare delivery marketplace. The main consumer of healthcare services is the United States Government through CHAMPUS programme and the facility is endorsed and visited for provision of healthcare services by elite members of the US Government, in addition to the very large local retirement contingent of US armed services Panama Canal operatives who permanently reside in Panama. In this regard the hospital is an excellent first choice provider for the delivery of services which are equal to US quality and above in most circumstances due to the digital technology and Johns Hopkins affiliation, and the fee schedule is a fraction of the cost of the US. This hospital is first class and is ready and able to commence accepting Cayman Islands CINICO members immediately.

The only drawback is the direct flight schedule to Panama from the Cayman Islands. The author has been informed that Cayman Airways and COPA airlines are in negotiations to develop the direct Panama route discussions held in March of 2006 and are nearing a completed arrangement. In the meantime, access to Panama at present is by the charter offerings of approximately 5 times a year or through Miami. At the time of touring this facility, the billing was in Spanish language however since that time the International Department has developed and the billing can be requested in the English language with a move toward CPT coding due to the influx of US retired personnel having CHAMPUS coverage in the USA and the ongoing familiarity with the US billing expectations of a coded health insurance claim product. Air ambulance services can be accessed easily through the air ambulance industry.

This hospital is recommended as a first class option to present US referrals.

- c. **CUBA** - It is well documented and known that Caymanian families traveled to and from Cuba to receive medical care over the generations and that the quality of care is excellent. In this regard it is recommended that Cuba be incorporated into a Government direct relationship referral network for optimum cost efficiencies and excellence of care delivery to our members.

In this regard the main referral centre known for delivery of excellent care to overseas patients is Clinica Central Ciria Garcia in Havana. Healthcare services offerings to overseas patients are, general surgery, orthopedics, traumatology, plastics and reconstructive surgery, neurosurgery, gynaecology, ophthalmology, maxillofacial,

urology, otorrhinolaryngology, proctology (prostate oncology), angiology (cardiac interventions) prosthetics, dental, endodontia, endodontics and dental implants.

Clinical services also offered cover the areas of, central and peripheral nervous diseases of the system, autoimmune diseases (ALS, Lou Gehrigs disease extremely rare incurable disease management), gastrointestinal diseases, dermatological diseases, allergy related diseases, respiratory diseases. Surgical services comprise of intensive care and intermediate care units, up to date technology and highly qualified personnel.

Easy access is noted with direct flights available from the Cayman Islands as well as air ambulance service access. Optimal cost savings efficiencies above and beyond any other neighboring country healthcare service fee schedule. Payment for overseas referral patients is made not to the hospital but to Central Government in Cuba with whom a direct contractual agreement would require to be made between the two governments Cayman Islands government and Cuban government. It is understood that there is an excellent relationship in place at present and that incorporation of a health service delivery agreement would be a simplified arrangement between the two Ministries of Health.

- d. **BELIZE** - The neighboring country of Belize is also a former British Territory, thusly cultural similarities and medical standards of ethics exist in similarity with those within the Cayman Islands, as Belizean physicians practicing in Belize today have been educated in other countries listed as the United States, UK, Jamaica, Mexico and the E.U. There is also a medical school catering to US students and Belizeans in San Pedro, Belize as well as many notable practicing Cuban specialist physicians within the Belizean healthcare system.

The Karl Heuser Memorial Hospital is the national referral hospital in Belize comprising of General Medicine 25 beds, General Surgery Beds 25 beds, Pediatrics 25 beds, Obstetrics and Gynaecology 25 beds Accident and Emergency 10 beds, Special Care Baby Unit 9 beds. The hospital provides 24 hour Accident and Emergency services and extends all services to incoming referrals from overseas. The fee schedule is in US dollars and constitutes a small fraction of the costs of same services in the US. English is spoken in addition to Spanish and an Export Department serves the needs of incoming overseas patients having also a service to meet and greet the overseas patient at the airport, remaining in close contact with the overseas patient throughout the episode of medical care right up to airport departure.

- e. **COLUMBIA** - The neighboring country of Columbia is becoming very well known for excellence in health service provision to overseas patients. The Clinica Oftalmologia de Cali, S.A. for example provides excellent eye surgery options at a fraction of the fee schedule of the US and handles the following example cases, glaucoma, strabismus, pediatric ophthalmology, retina and vitreo surgical interventions, Lasik refractive surgery and ocular pathology. The fee schedule is again a fraction of the cost of the US with the quality of outcomes is at the same high levels as the US. Patients are picked up at the

airport by the Export Division (International Department) and English is spoken in addition to Spanish language.

There are many excellent hospitals in Columbia a few of which are, Fundacion Clinica Valle Del Lili, Hospital Pablo Tobron Uribe, Columbianana de Transplantes, the latter providing organ transplants most successfully e.g. kidney transplant (case cost rate \$30,000.00 USD inclusive of in-patient hospital, surgeon, all tests, all nursing costs).

Madam Speaker, these excellent facilities, when contracted in a direct relationship agreement with CINICO and/or the Cayman Islands Government could save millions of dollars in overseas care costs, as has been proven with the success of savings realized from the implementation of the Jamaican Network e.g. course of chemo/radiation therapy 6 weeks case cost US\$16,000.00 versus US\$250,000.00 in the United States, where the standard is that chemo/radiation protocol costs are in addition to hospital incurred costs due to non “case cost all inclusive” options being available as in “foreign” locations where all inclusive case costs package deals are commonplace.

The majority of service offerings presently accessed primarily in the US can be offset to a newly-expanded “foreign” non-US based network at vast cost efficiencies wherein direct relationships enjoyed in Jamaica can be included also into suggested recommended expansion of the CINICO self managed network. All of the countries and facilities researched are willing and excited to offer lowest fee schedules in addition to all inclusive case costs direct to CINICO.

Madam Speaker, it is acknowledged that the current fines and penalties under the existing health insurance legislation may not provide sufficient detriment to some employers who do not provide health insurance coverage for their employees. A health insurance bill is currently being considered whereby section 24 of the Health Insurance Law (2005 Revision) would be amended to make further provision for the imposition by the Health Insurance Commission (HIC) of administrative fines for the breach of specif provisions of the Law.

Increasing the fines and penalties is not the only answer to this problem. Initiatives are being pursued to improve the cooperation between the Immigration Department, Trade and Business Licensing Board and the HIC regarding the issuing of work permits, business licenses and the requirement for employees’ health insurance. In addition, the HIC has an ongoing public education initiative with the objective of providing the general public with more information on the health insurance legislation and the benefits of health insurance.

Madam Speaker, it is agreed that there are some individuals who, despite having their health insurance benefits covered under the Standard Health Insurance Contract 1; may not have sufficient benefits under that plan to cover the costs of some catastrophic illnesses which require overseas medical care.

The Ministry of Health is currently considering offering individuals who are under-insured to participate in a separate plan for catastrophic illnesses by contributing a fixed amount on a monthly basis to a pool of funds which would be available for catastrophic illnesses.

It must be noted that it would cost Government several million dollars on an annual basis to take on the direct responsibility to provide overseas medical care for under insured individuals without a plan of benefits for such medical care.

Madam Speaker, the HIC recently provided a Power Point presentation to legislators regarding the portability of health insurance benefits. The portability of comprehensive health insurance benefits where there is no pre-existing condition is not an issue. Portability of comprehensive health insurance benefits becomes a problem when the employee has an existing medical condition and he/she changes employers.

Historical examples in some USA states have shown that premium rates increase as much as 4 to 5 times when full portability of health insurance benefits was introduced. The HIC aims to achieve an equitable solution that takes into account all stakeholders' interests but which primarily protects the public interest. We would need to conduct our own studies to determine the impact of full portability and what the market could reasonably accommodate here in the Cayman Islands. In the interim, the HIC has recommended a mid-range level of benefits which would be portable.

SECTION 14 – STATUTORY AUTHORITIES' AUDITS

Madam Speaker, the Government is taking all measures to ensure that all statutory authorities submit their annual reports in the format and timeframe as specified under the Public Management & Finance Law. The Government is quite aware of the importance of this reporting responsibility, as a delay in the preparation and audit of public authorities' annual reports will also delay the preparation and audit of the Government's annual reports since the Government's annual report includes statutory authorities' reports.

SECTION 15 – PRISON DEPARTMENT

Systems of internal controls, including segregation of duties in relation to approval, ordering, receiving and payment of goods has been fully implemented, reviewed and confirmed by the Internal Audit Unit. All efforts are being made to comply with procurement processes as specified under the Financial Regulations and to ensure that employees of the Prison Department comply with the Public Service Values and Code of Conduct as specified under Part II of the Public Service Management Law.

Madam Speaker, it is in the best interest of the Portfolio of Internal & External Affairs to safeguard the resources of the Prison Department and ensure that departmental procurement processes provide value for money and timeliness of benefits into operations.

High-risk prisoners are currently located in a separate unit of the Prison and segregated from other categories of prisoners such as those who have committed petty crimes or those with mental health problems.

A steering committee has been created and adequate funds have been created and allocated to implement the Alternative Sentencing Law.

In regards to the recommendation on the training of prison officers, Madam Speaker, all entry level prison officers receive full training. The Prison Department is currently implementing a compulsory two-year training programme which will provide a Vocational Qualification in Custodial Care. Thereafter continuous training sessions are provided and assessed to allow for promotional eligibility based on competence and qualifications.

A recent review of the security classification has been completed - assessing all prisoners. Dependent on the scored risk of a prisoner, that will decide the rehabilitation programme in which participation is granted. The current security categories in place are from grade A to D - grade A being the highest risk to Grade D being the lowest supervision security classification.

SECTION 16 – CAYMAN PROTECTOR REPAIRS

The Royal Cayman Islands Police have acquired and designed a Marine Land & Sea Facility at the Abanks Jetty in Newlands. The designs have been completed by the Public Works Department and contracts are due to be awarded for the seawall, docking facilities and site preparation valued at \$1.8M. The estimated completion time for phase one is eight months after the signing of contracts.

The Royal Cayman Islands Police have tendered four new patrol vessels which will strengthen the existing two vessels in order to equip and fulfill the functions of coastal surveillance of the Cayman Islands.

The Police marine units have established regular preventative maintenance schedules and programs to ensure that vessels are operating effectively and efficiently.

Madam Speaker, adequate funds are in place to ensure that the required surveillance operations will continue in a timely and effective manner.

Acknowledgement

In closing, Madam Speaker, the Government wishes to express its thanks to those Ministries and Portfolios that assisted with the compilation of the Minute and look forward to their support in the implementation of the initiatives contained within.

Thank you.