Ministerial Statement
To the House of Assembly

By

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Update on the new Acute Care Wing at KEMH

15th November, 2013

Mr. Speaker,

I rise to provide the House with the latest update on the new BHB acute care wing construction project.

This is Bermuda's first ever Public Private Partnership and it is a design, build, finance, maintain contract. This means the private partner, Paget Health Services (PHS), pays all the money upfront to design and build the new facility and, when payments start once it is completed, they undertake maintenance of the building for 30 years. In addition to routine minor maintenance PHS is also responsible for life cycle maintenance of the main infrastructures of the new build such as the roof, and maintenance of heating/air conditioning, electrical and plumbing in the 30 year agreement.

The benefit of this model is cost certainty. BHB can know what it needs to pay for the new facilities and when, allowing it to budget with certainty.

Furthermore, and very importantly, should there be delays of any kind related to the construction, or additional costs arising from the agreed design, the cost of these overruns are entirely borne by PHS, not BHB. PHS as the private partner carries the entire risk of any delay in construction and must pay for such delays out of its own pocket.

The pressure to maintain a quality facility also falls on PHS through the maintenance part of the contract. Quite simply, they have to deal with and pay for any poorly performing maintenance systems so they are incentivized to build to agreed levels of quality and keep the quality there.

In 30 years' time Bermuda will still have an amazing facility. It will not suffer from a lack of maintenance or investment as so often has been the case with public buildings in the past in Bermuda.

Although BHB does not pay a dollar until the building is complete, the payments, once they start, are significant. In the first year, the **monthly** payments to PH Share about $2.5 million. On top of this the BHB will have to fund the general running costs of the facility including staffing, cleaning, etc, and these expenditures will also be substantial.

Thereafter, 70% of the payment to PHS will remain stable enabling BHB to have some certainty over its future costs. The other 30% relates to variables, such as

inflation and insurance. PHS will incur potential penalties should the building not perform to the standard expected by BHB.

This means there is significant pressure on BHB to manage the contract well, to ensure it is adhered to, and the BHB is putting the necessary management arrangements in place.

BHB has committed to announcing each year's agreed payments as part of its annual financial reporting.

Mr. Speaker,

Construction of the new acute care wing is progressing well. BHB has been completing a great deal of necessary preparatory work to ensure that it is ready to move its acute care clinical services into the new facility next year.

Last week (starting Monday 4 November), PHS achieved a new daily high of 532 operatives and staff on site, with the weekly average of over 500 operatives.

More recently, 14 local joiners have joined the site team to progress works such as doors, millwork, wall protection etc.

The proportion of Bermudian and Spouses of Bermudians employed on site has been maintained at over 60% throughout the project.

Health and safety remains a constant focus. A total of 1,750 individuals have attended the combined Health & Safety and Infection Prevention & Control

Inductions. 350 annual re-inductions have also been given.

As the project approaches the "1.5 million man-hours worked" threshold, there have been no significant, major accidents reported on site.

For all of us who have been looking at the progression of the project, it is amazing to see the hospital slowly being revealed.

The main structure of the building is complete, as are the Link and Main Entrance structures.
The focus is now on connecting the new acute care wing and the existing KEMH facility so they can function as one seamless hospital. Enabling works on all levels are ongoing.

The Link and Main Entrance Structures are complete and the steelworks that will form a bridge to the third and fourth floors of KEMH are being manufactured. It is expected that the breakthroughs into the current hospital at all floor levels will take place in December and January. Anyone passing the new acute care wing on Point Finger Road will have seen that the scaffold has been removed from over half of the building. The roof finishes are progressing on all levels, solar panels have been installed and the atrium windows are being fitted.

Retaining walls and footpaths are progressing along Point Finger Road connecting the new acute care wing with the main car park.

The underground Sewage Treatment Plant structure is complete and landscaping has commenced in front of the Continuing Care Unit.

Inside the building, the flooring is 70% complete and door installation is underway.

The lead lining of Diagnostic Imaging x-ray rooms has started and radio frequency shielding for MRI will start next week.

The Emergency Generators and Oxygen Plant have arrived on Island and are now ready for installation and the mains distribution cabling is well advanced towards "Power-On" in December.

The commissioning of various aspects of the building has been ongoing and major systems commissioning will begin in January 2014.

In the coming weeks BHB and PHS will be talking in more detail about the schedule for transferring services from the existing facility to the new acute care wing. The acute care services transferring to the new facility include emergency, diagnostic imaging (namely the x-ray, ultrasound, MRI and CT scanning equipment), day surgery, dialysis, oncology, and 90 acute care beds.

There is an immense amount of work being carried out at the moment preparing for the move, from new processes to new ways of working that include managing patients in single en-suite rooms to cutting edge audio visual technology in the new operating rooms, from working out how to get tests from the new facility to the lab in the old facility, to planning out the extended routes for dietary, housekeeping and laundry who now have two buildings to support.

Services remaining in the existing KEMH building include Maternity, the Gosling children's ward, Intensive Care, the Cardiac Diagnostic Unit, Outpatient Physiotherapy, Occupational Therapy and Speech Pathology, as well as the Laboratory - including the facility for blood tests and the blood donor centre - and some lower acuity beds for patients who are no longer acutely ill. Additionally, all administrative offices will stay in the existing building, as will the pharmacy, laundry, cafeteria and kitchens.

Mr. Speaker,

You will know that the Bermuda Hospitals Charitable Trust (BHCT) undertook to raise the funds to make the first balloon payment to PHS in the amount of $40million, as of April 2014. I have been informed there is expected to be a slight delay in the move date, and that the BHB will be making a more detailed announcement in the coming weeks.

However, it is important to note that this slight delay has no cost implication for BHB. In fact, as BHB does not start to pay until the facility is completed to specification; the overall cost of the contract goes down every month until the facility is ready. This is a major benefit of the Public Private Partnership model selected.

What this slight delay does achieve, **Mr. Speaker**, is to allow a little more time for donations and pledges to be given to the BHCT as they march towards the goal that they committed to achieve.

I am assured that the transition will take place next year, and I look forward to the update from the project team in the near future so that we know when we can look forward to the move.

New hospital buildings are perhaps the most complex of all constructions. The fact that the delay is small shows how well the project has run so far and is testimony to the sheer hard work of everyone at BHB and PHS. A lot has been achieved. I congratulate BHB and Paget Health Services on their progress to date, and will continue to inform this Honourable House and members when there is more to report.

Thank you, Mr. Speaker