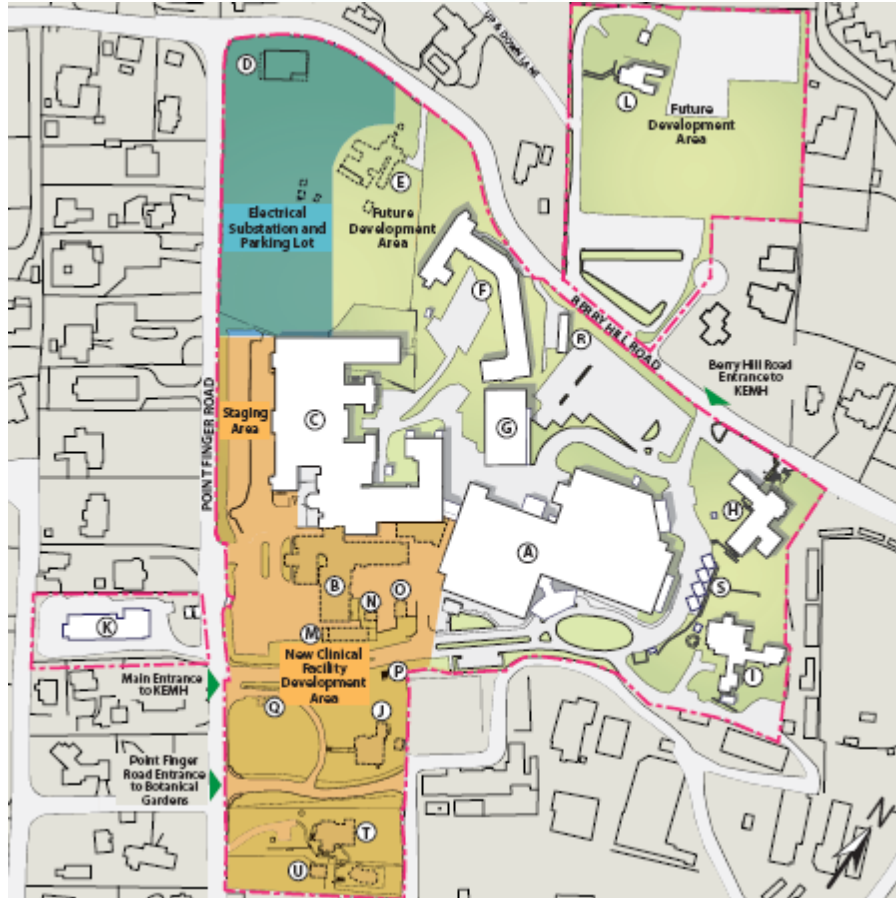




Bermuda Hospitals Board KEMH Redevelopment Project



KEMH Redevelopment Project Fact Sheet



Why Bermuda needs new acute care facilities

The 2008 Johns Hopkins Medicine International (JHMI) Phase II Report reviewed BHB's 2005 Estate Master Plan and advised that Bermuda needed more clinical space for its acute care services in order to provide the quality and range of services Bermuda requires over the long term. This, other reports and press releases are available at www.bermudahospitals.com. Look for the KEMH Redevelopment Project button on the lower left of the home page.

What BHB has approval to build

BHB has approval to construct a new building to house various acute care services over the next several years on the King Edward VII Memorial Hospital (KEMH) site, including:

- **90 single occupancy, en suite in-patient rooms.** This standard of care is in line with international leading practice to help prevent the spread of infection and improve patient dignity, privacy and comfort.
- a new **emergency room**
- a new **diagnostic imaging** department.
- **day patient services** including chemotherapy, same-day surgery, chronic disease management, pain management and dialysis. Out-patients will have convenient access to testing, treatments and educational advice in the new building.
- **a central utility plant.** A new central utility plant (CUP), which provides services like chilled water and steam generation, will be contained in the new building and will handle the needs of both the renovated and new facilities.

At the same time BHB will upgrade the existing hospital building. Together, the new and upgraded facilities will offer the additional acute care space required to provide Bermuda with the acute care services it needs. The entire project is called the KEMH Redevelopment Project.

Once complete, the new build will allow BHB to re-assign space in the renovated KEMH building. This gives us more options in terms of providing high-quality health care to our patients.

How BHB chose its delivery model for the new building

BHB hired KPMG, a leading financial services firm, to develop a business case that, among other things, assessed traditional and Public Private Partnership (PPP) delivery models for the new

build. The delivery model KPMG recommended is a form of PPP called Design, Build, Finance and Maintain.

Having completed a competitive procurement process, BHB entered an agreement with our preferred bidder, Paget Health Services, in December 2010. This is a way of managing very complex project risks around a major construction project so that no one group bears the full risk of the project, and responsibility for certain risks is placed with either BHB or the private partner, whichever is best placed to manage them. In this project, Paget Health Services assumes most of the design and construction risk associated with the project. For example, cost over-runs would be borne by PHS, not BHB or Government.

How BHB will fund the KEMH Redevelopment Project

Both upgrading the existing KEMH building and the addition of newly constructed space are vital to the complete redevelopment of the KEMH site to meet Bermuda's future acute healthcare needs. Over the next six to seven years, BHB will revitalise the existing KEMH hospital building using traditional procurement methods. The new parking lot and new substation are two examples of projects funded by BHB and managed as separate components of the overall redevelopment project.

The design, construction, financing and maintenance of the new building on the KEMH site will be delivered by a form of Public Private Partnership (PPP). The John Hopkins Medicine International Phase II Report estimated construction cost at \$260 million. It is expected that the first patients will be served in the new facility in the spring of 2014.

Paget Health Services will be required to design, build, finance and maintain newly built facilities according to BHB's specifications. BHB entered an agreement with PHS and will pay back PHS over a period of 30 years, during which time PHS maintains, to BHB's specifications, what they've built. The payments were set when the contract was agreed, before construction begins and include:

- the cost of design
- the cost of financing
- the cost of construction and construction management
- the cost of maintaining the new building
- lifecycle costs for replacement and refurbishment of all major systems as necessary

In order to continue renovations and help build new space, 1% of the proposed 1.5% increase in hospital fees for fiscal year 11/12 is related directly to the KEMH Redevelopment Project. The remaining 0.5% is related to other cost increases due to inflation. A similar 1% increase is anticipated for each of the next two fiscal years (began 1 April 2009). Hospital fees make up about half of healthcare costs in Bermuda so it is likely that the construction of the new facilities will affect insurance premiums by up to 3% after the five-year period.

In addition to government approved fee increases, BHB will be funding the project through internal efficiencies, and a contribution from the Bermuda Hospitals Charitable Trust (BHB's independent fund-raising arm) which will reduce payments.

Ownership of the new buildings and hospital operations

BHB retains ownership and control of all land, buildings and all clinical services.

How the bid teams were shortlisted

A Request for Qualifications (RFQ) was issued on schedule on 29 June 2009 and closed on 19 August 2009. After an extensive evaluation, three bid teams were shortlisted from the evaluated submissions.

How the preferred bidder was selected

A Request for Proposal (RFP) was issued to shortlisted bidders on the 23 December 2009, on schedule.

Paget Health Services was selected as BHB's preferred bidder following a rigorous and competitive procurement process, based on international best practice, in which the teams were evaluated against pre-established criteria and the team which best met BHB's specifications while offering the best value to BHB and Bermuda was selected. BHB has now finalised the contract and signed with Paget Health Services, which makes Paget Health Services the Board's private partner.

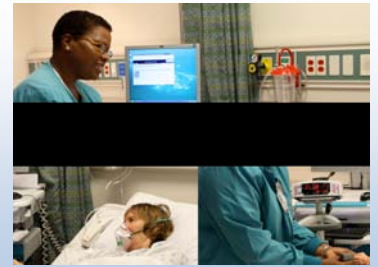
BHB's advisory team for the PPP project

LOCAL:

- KPMG—business and finance
- Conyers & Associates— architecture
- Onsite Engineering—engineering
- Bermuda-Caribbean Engineering Consultants—site surveying
- Atlantic Building Consultants—town planning
- Conyers Dill and Pearman—legal

INTERNATIONAL:

- KPMG—business and finance
- Mott MacDonald—clinical
- Stantec—technical
- Davis LLP—legal



Time frame for the PPP project

Having completed the competitive procurement process, BHB entered into an agreement with Paget Health Services in December 2010, which was followed by groundbreaking in January 2011. It is expected that the first patients will be served in the new building in 2014.

PPP project chronology

- **November 2008**
 - Johns Hopkins Medicine International Phase II Report released
 - Government announced BHB will rebuild and refurbish KEMH
 - BHB, Ministry of Health and Bermuda Hospitals Charitable Trust outlined plan for developing acute care services on the current site
- **January 2009**
 - Business case developed by KPMG
 - Government approved development of new facilities through design, build, finance, maintain (DBFM) delivery model, a form of Public Private Partnership (PPP)
 - Governance structure established
- **Spring 2009**
 - Project team complete, local and international advisory team complete
- **June 2009**
 - Request for Qualifications (RFQ) released
- **August 2009**
 - Central Coordinating Committee formed
 - Represents a single point of contact and allows for a coordinated effort by Government to meet needs of Project in an efficient, effective, timely manner

- RFQ closed
- **October 2009**
 - Three bid teams shortlisted, representing a blend of local and international firms
- **December 2009**
 - Request for Proposal (RFP) released to shortlisted bidders
 - The RFP document thoroughly details BHB's very specific requirements for the new facilities
 - BHB's staff and clinical, legal and technical advisory teams have worked together to prepare the significant documentation needed for the RFP
 - King Edward VII Memorial Hospital (Special Planning Provision) Act 2009 passed
- **January - March 2010**
 - Property adjacent to KEMH site purchased by BHB to allow more scope during the new building's construction and operational phases
 - Amendment to King Edward VII Memorial Hospital (Special Planning Provision) Act 2009 passed, which includes the new property as part of the KEMH site
- **May 2010**
 - BHB began enabling works on southwest corner of KEMH site, future site of parking lot and new substation
- **Summer 2010**
 - Bids submitted
- **September 2010**
 - Paget Health Services chosen as preferred bidder
- **December 2010**
 - Paget Health Services and BHB sign contract, PHS became BHB's private partner
- **January 2011**
 - Groundbreaking

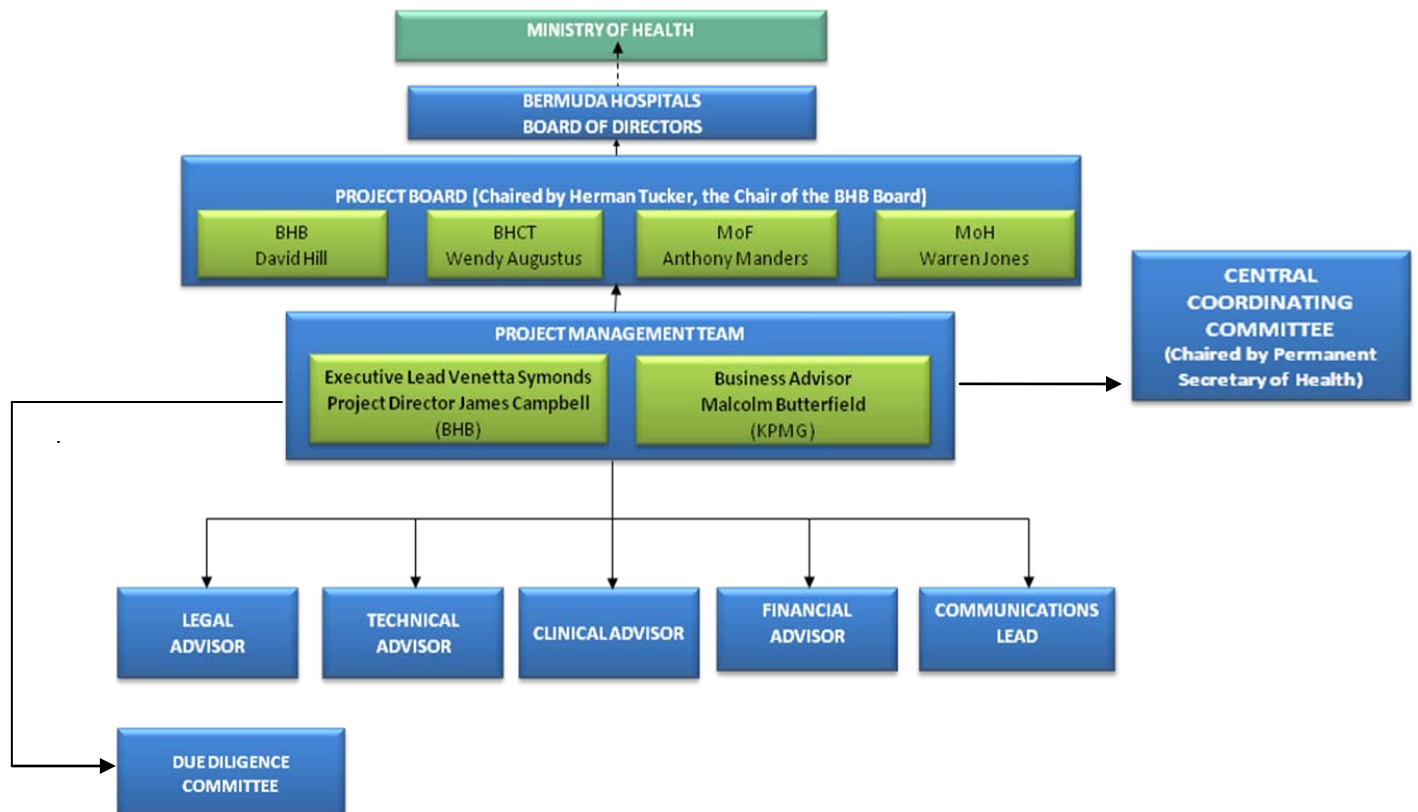
Team membership, Paget Health Services

Paget Health Services

Sir Robert McAlpine Limited
 PFI Investors Limited
 BCM McAlpine Limited
 AECOM Limited
 Swanke Hayden Connell
 OBM International Limited
 Black & McDonald Limited
 IBM (through Bermuda Computer Services)
 Ernst & Young LLP
 Wakefield Quin
 BF&M Insurance Limited
 Macfarlane Wilder
 Mid-Atlantic Engineering
 Brunel Ltd

Governance Structure

The Project Board was established in January 2009. The advisory team to the PPP project was completed and the due diligence committee was established in the spring of 2009. The Central Coordinating Committee was established in August 2009.



PPP Timeline

Spring 2009

Project initiation

COMPLETE

Set governance structure
Establish project development plan
Assemble project team

Summer 2009

Develop business, regulatory and procurement model

COMPLETE

Resolve policy, commercial, technical and legal issues
Refine project definition
Develop proposed risk allocations, payment mechanism etc.

Summer – Autumn 2009

Drafting

COMPLETE

Project agreement, procurement documents, clinical and technical specifications

Summer – Autumn 2009

Request for Qualifications (RFQ), shortlist bidders

COMPLETE

Three bid teams shortlisted

Late 2009 – Autumn 2010

Issue Request for Proposal (RFP) to shortlisted bidders

COMPLETE

Evaluate proposals, selection of preferred bidder

Autumn 2010 – Winter 2010

Transaction finalisation and closing

COMPLETE

Winter 2010 - Winter 2013

Official groundbreaking: 19 January

Construction

BEGUN

2014

Operational phase commences

This fact sheet describes the approved five-year phase of the KEMH Redevelopment Project. The overall plan sees this as the first phase of a long term site redevelopment strategy. Further information is available at www.bermudahospitals.com. Click on the KEMH Redevelopment Project button on the lower left of the landing page. Further information is available at www.pagethealthservices.com. Media enquiries: Anna Nowak, VP Public Relations, + 441 239 2104, anna.nowak@bhb.bm.