



Report of Independent Auditors  
and Financial Statements  
with Required Supplementary Information

**New Mexico Medical Insurance Pool**

December 31, 2022 and 2021

# Table of Contents

---

	<b>Page</b>
<b>Report of Independent Auditors</b>	<b>1</b>
<b>Management Discussion and Analysis</b>	<b>4</b>
<b>Financial Statements</b>	
Statements of Net Position	7
Statements of Revenues, Expenses, and Changes in Net Position	8
Statements of Cash Flows	9
Notes to Financial Statements	10
<b>Required Supplementary Information</b>	
Claims Development Information	15
<b>Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	<b>16</b>
<b>Schedule of Findings</b>	<b>18</b>



## **Report of Independent Auditors**

The Board of Directors  
New Mexico Medical Insurance Pool

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of New Mexico Medical Insurance Pool (the Pool), which comprise the statements of net position as of December 31, 2022 and 2021, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of New Mexico Medical Insurance Pool as of December 31, 2022 and 2021, and the respective changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pool and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the accompanying management's discussion and analysis and claims development information on pages 4 through 6 and page 15, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2023, on our consideration of New Mexico Medical Insurance Pool's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of New Mexico Medical Insurance Pool's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New Mexico Medical Insurance Pool's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Moss Adams LLP".

Albuquerque, New Mexico  
June 1, 2023

## **Management Discussion & Analysis**

# New Mexico Medical Insurance Pool

## Management Discussion and Analysis

### Years Ended December 31, 2022 and 2021

---

As management of the New Mexico Medical Insurance Pool (the Pool), we offer readers of the Pool's financial statements this narrative overview and analysis of the financial activities of the Pool for the fiscal years ended December 31, 2022 and 2021.

**Financial highlights** – The Pool reported a net position of \$522,155 at the close of its most recent fiscal year; the total assets were \$34,465,499, and total liabilities were \$33,943,344. The Pool maintains a net position balance of \$522,155 at the end of each year, as required by direction of the Board of Directors. Pool revenue is generated through several sources, including premiums paid by the policyholders and assessments to insurers based on the market share of their direct premiums collected within the State of New Mexico. Liabilities consist of reserves necessary to pay medical and pharmacy claims, unearned premiums, administrative costs, and operating expenses.

The assessments paid by insurers are calculated based on the overall projected and actual losses incurred by the Pool during a fiscal year. The actual loss amount (prior to assessments paid by insurers) for 2022 was \$120,951,585, which is an increase of \$19,355,880 (19.1%) from 2021. The actual loss amount (prior to assessments paid by insurers) for 2021 was \$101,595,705, which was an increase of \$11,332,893 (12.6%) from 2020.

**Overview of the financial statements** – The Pool was established by the 1987 New Mexico State Legislature. The Pool was created to provide access to comprehensive health insurance coverage to residents of New Mexico who are denied health insurance and considered uninsurable. The Pool also provides health benefit portability coverage to New Mexicans who have exhausted Consolidated Omnibus Budget Reconciliation Act (COBRA) benefits and have no other portability options available to them.

The Pool is funded through premiums received from policyholders and assessments to insurance companies authorized to transact health insurance in New Mexico (insurers). In addition, all insurers authorized to conduct business in New Mexico are required to be members of the Pool and pay an initial assessment of \$500.

**New Mexico Medical Insurance Pool  
Management Discussion and Analysis  
Years Ended December 31, 2022 and 2021**

---

**Condensed financial information**

	2022	2021	2020
<b>SUMMARY BALANCE SHEETS</b>			
Total assets - current	\$ 34,465,499	\$ 50,919,822	\$ 22,506,007
Accrued claims and processing costs - current	29,545,754	26,434,604	17,800,762
Other payables - current	4,397,590	23,963,063	4,183,090
Total liabilities - current	33,943,344	50,397,667	21,983,852
Net position	\$ 522,155	\$ 522,155	\$ 522,155

**SUMMARY STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

Premiums	\$ 11,631,801	\$ 10,936,398	\$ 10,837,671
Assessments	120,951,585	101,595,705	90,262,812
Other income	59,830	12,379	27,121
Total operating revenues	132,643,216	112,544,482	101,127,604
Operating expenses			
Claims and related processing costs	131,011,307	111,174,275	99,836,365
General and administrative	1,631,909	1,370,207	1,291,239
Total operating expenses	132,643,216	112,544,482	101,127,604
Change in net position	\$ -	\$ -	\$ -

**Overall financial analysis** – Total assets for the State Pool decreased from 2021 to 2022 primarily due to the timing of assessments revenue.

Premium rates increased an average 5.1% on January 1, 2022. The Pool experienced only a 6.4% increase in earned premiums from 2021 to 2022 in spite of significant enrollment growth, because nearly all of the growth was in the low income premium program.

**Pool activities** – In January 2022, premium rates increased an average of 5.1% due to an increase in the standard risk rates and an increase in the multipliers. By law, premium rates can be calculated at up to 150% of the standard risk rate. January 2022 rates were set at 112% of the standard risk rate for traditional plans and 114% of the standard risk rate for Medicare carve-out plans. Discounts of up to 75% are allowed for low-income enrollees. Pool membership had a net increase of 948 members, from 3,228 at the end of 2021, to total membership of 4,151 at the end of 2022.



# New Mexico Medical Insurance Pool Management Discussion and Analysis Years Ended December 31, 2022 and 2021

---

**Budget analysis** – In 2022, Pool losses were \$121.0 million, \$22.9 million more than budgeted. Even though membership was 29% above budget, assessments were 23% more than budgeted, due to unexpected growth trends. The original 2022 budget assumed a 6% medical claims trend. The original budget also assumed a 5% pharmacy trend for all plans. The actual combined trend was negative 3.5%. Earned premium was 24% more than forecast, due to more individuals on low-income premium program. Operating expenses were 12% more than forecasted.

Participation in the Low-Income Premium Program (LIPP) increased from 72% in 2021 to 76% in 2022. Overall, there was a 30% increase in membership.

**Current trends and conditions and future impact – New Mexico Medical Insurance Pool** – The implementation of marketplace exchanges, the expansion of Medicaid eligibility, and the provision within the Patient Protection and Affordable Care Act that mandates guaranteed issue of individual health coverage policies, along with those ineligible for enrollment in the marketplace, will continue to have an impact on enrollment into and out of the Pool. The implementation of the 21<sup>st</sup> Century Cures Act making it possible for ESRD patients to enroll in Medicare Advantage plans has had the impact of reducing the enrollment in NMMIP's Medicare plan.

The administrative services agreement with Value Health Benefit Administrators (VHBA) expires on December 31, 2023. In 2022, the per member per month (pmpm) fee was \$80.00. The Pool paid VHBA a total of \$3.7 million for administrative services in 2022.

Per the administrative services contract with VHBA, if the agreement is not renewed, “administrator will provide claims runout services for up to 12 months. VHBA shall have no obligation or liability for the processing of and shall deny any claims not presented within that period. No claims already paid or denied shall be adjusted by VHBA after that expiration of the Run-out period.”

**Contacting Pool's financial management** – This financial report is designed to provide the public with a general overview of Pool's finances. If you have any questions about this report or need additional financial information, contact Kristina Leeper, Pool's Executive Director at 1223 St. Francis Drive, Suite B, Santa Fe, NM 87505.

## **Financial Statements**

**New Mexico Medical Insurance Pool**  
**Statements of Net Position**  
**December 31, 2022 and 2021**

---

	2022	2021
<b>ASSETS</b>		
<b>ASSETS</b>		
Cash	\$ 22,873,602	\$ 47,268,766
Premium receivable	4,818,772	2,078,725
Pharmacy rebate receivable	479,997	225,000
Assessments receivable	6,293,128	1,347,331
Total assets	\$ 34,465,499	\$ 50,919,822
<b>LIABILITIES</b>		
<b>LIABILITIES</b>		
Estimated claims incurred but not reported	\$ 27,709,000	\$ 24,923,000
Accrued claims	917,754	797,604
Accrued claims processing costs	919,000	714,000
Accrued expenses	124,561	101,021
Assessment refunds payable	3,309,313	23,208,668
Unearned premiums	407,129	-
Payable to third-party administrator	556,587	653,374
Total liabilities	\$ 33,943,344	\$ 50,397,667
<b>NET POSITION</b>		
UNRESTRICTED	\$ 522,155	\$ 522,155
Total net position	\$ 522,155	\$ 522,155

---

See accompanying notes.

**New Mexico Medical Insurance Pool**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended December 31, 2022 and 2021**

---

	2022	2021
OPERATING REVENUES		
Premiums	\$ 11,631,801	\$ 10,936,398
Assessments	120,951,585	101,595,705
Interest income	59,830	12,379
Total operating revenues	132,643,216	112,544,482
OPERATING EXPENSES		
Claims	124,384,126	107,283,804
Claims processing costs	6,627,181	3,890,471
General and administrative	1,631,909	1,370,207
Total operating expenses	132,643,216	112,544,482
CHANGE IN NET POSITION	-	-
NET POSITION at beginning of year	522,155	522,155
NET POSITION at end of year	\$ 522,155	\$ 522,155

---

See accompanying notes.

**New Mexico Medical Insurance Pool**  
**Statements of Cash Flows**  
**Years Ended December 31, 2022 and 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from policyholders and insurers	\$ 105,405,316	\$ 129,872,974
Payments for claims and claims processing costs	(128,155,154)	(102,372,200)
Payments to providers and suppliers	(1,705,156)	(947,791)
Interest received	59,830	12,379
	<u>(24,395,164)</u>	<u>26,565,362</u>
<b>NET (DECREASE) INCREASE IN CASH</b>	(24,395,164)	26,565,362
<b>CASH, beginning of year</b>	<u>47,268,766</u>	<u>20,703,404</u>
<b>CASH, end of year</b>	<u>\$ 22,873,602</u>	<u>\$ 47,268,766</u>
<b>RECONCILIATION OF CHANGES IN NET POSITION TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>		
Change in net position	<u>\$ -</u>	<u>\$ -</u>
Adjustments to reconcile change in net position to net cash (used in) provided by operating activities		
Changes in assets and liabilities		
Premium receivable	(2,740,047)	(1,033,900)
Pharmacy rebate receivable	(254,997)	168,233
Assessments receivable	(4,945,797)	(982,786)
Estimated claims incurred but not reported	2,786,000	8,435,000
Accrued claims	120,150	142,842
Accrued claims processing costs	205,000	56,000
Accrued expenses	23,540	18,096
Assessment refunds payable	(19,899,355)	20,001,624
Unearned premiums	407,129	(644,067)
Payable to third-party administrator	(96,787)	404,320
	<u>(24,395,164)</u>	<u>26,565,362</u>
Net cash (used in) provided by operating activities	<u>\$ (24,395,164)</u>	<u>\$ 26,565,362</u>

See accompanying notes.

# New Mexico Medical Insurance Pool

## Notes to Financial Statements

---

### Note 1 – Summary of Significant Accounting Policies

**Operations** – The New Mexico Medical Insurance Pool (the Pool) was formed as an unincorporated not-for-profit entity by the New Mexico Legislature in 1987. The purpose of the Pool is to provide comprehensive health insurance coverage to eligible individuals.

The funding for the Pool program comes from premiums received from policyholders and assessments against insurance companies authorized to transact health insurance in New Mexico (insurers). All insurers are required to be members of the Pool and must pay an initial assessment of \$500.

Subsequent to each fiscal year, the Board determines the need to levy an assessment and, if necessary, the assessment is made against insurers using a pro rata allocation based on health insurance written in the State of New Mexico during the previous calendar year. The Board may also make interim billings as may be reasonable and necessary for the organizational or interim operating expenses of the Pool. The Pool records assessment revenue at the time the Pool determines a premium deficiency is reasonably estimable, which is generally at the end of each fiscal year, and to the extent the Pool has an enforceable legal claim to the assessments and the collectability of the assessments is probable and reasonably estimable.

If assessments for a fiscal year exceed actual losses and administrative expenses of the Pool for that fiscal year, the excess assessments are refunded, and recorded as accrued assessment refunds for that fiscal year. Any deficit incurred by the Pool shall be recouped by assessments apportioned among the members as described above. Deficiency assessment revenues in the financial statements are shown net of assessment reversals, if any.

The Pool was administered by Value Health Benefits Administrators (VHBA) during 2022 and 2021.

**Basis of presentation** – The Pool follows GASB Statement No. 62, *Codification of Accounting and Financial Reporting Contained in Pre-November 30, 1989 and AICPA Pronouncements*, which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB Pronouncements.

The Pool follows GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which requires amounts that are reported as deferred outflows of resources in the statements of net position in a separate section following assets. Similarly, amounts that are required to be reported as deferred inflows of resources have been reported in a separate section following liabilities. There were no deferred outflows or inflows of resources as of December 31, 2022 and 2021.

Under GASB requirements, the Pool is presented as an enterprise fund. Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business. Enterprise funds are reported using the flow of economic resources measurement focus and the full accrual basis of accounting. Accordingly, revenues are recognized when they are earned, and expenses are recognized as soon as the liabilities are incurred.

## New Mexico Medical Insurance Pool Notes to Financial Statements

---

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Pool are premiums from policyholders and assessments against insurers in the State of New Mexico. Operating expenses of the Pool include the claims and general and administrative expenses. All expenses of the Pool are considered operating expenses. The Pool did not have any nonoperating revenues or expenses for the years ended December 31, 2022 or 2021.

**Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

**Cash** – Cash consists of cash and a repurchase agreement held with a single financial institution. The Pool is exposed to custodial credit risk in the event its deposits are not fully insured or collateralized or are collateralized by securities held by the financial institution. The Pool maintains its cash in the form of non-interest and interest-bearing deposits with financial institutions that are believed to be of high credit quality. As of December 31, 2022 and 2021, all of the balance was either insured or collateralized.

The Pool's repurchase agreement is 100% collateralized by securities held by the financial institution, which subjects the Pool to custodial credit risk in the event of failure of the financial institution. The amount of such exposure is the balance of the repurchase agreement of \$51,028,485 and \$47,880,494 at December 31, 2022 and 2021, respectively. Management monitors the financial condition of this financial institution and does not believe any significant credit risk exists at this time. The Pool has no deposit policy limiting the custodial credit risk of its deposits.

The Pool considers all highly liquid financial instruments with original maturities of three months or less to be cash equivalents for the purposes of the statements of cash flows.

**Pharmacy rebate receivable** – The Pool accrues a receivable each month for the amount that is expected to be received from pharmacy rebates. No allowance is provided for doubtful accounts receivable as management considers all accounts to be collectible and based on cash payments received subsequent to year-end.

**Assessments receivable** – The Pool levies assessments against health insurers registered in the State of New Mexico on an annual basis. Interim billings are invoiced as necessary to provide sufficient revenue to continue the operation of the Pool throughout the year. The invoiced amounts are due within 30 days. No allowance is provided for doubtful accounts receivable as management considers all accounts to be collectible based on past experience. Although not expected, in the event management determines an account uncollectible, the balance would be written off to bad debt expense.

**Estimated claims incurred but not reported** – This liability represents benefits due to policyholders and to providers for services provided but not yet recorded or paid. The Pool's actuarial estimate of this liability considers historical experience and subjective judgments, and is based on the development method. Management reviews the actuarial assumptions used in determining the liability. The amount ultimately paid may be more or less than such estimates. Accounting estimates are subject to change, and the effects of such changes are recognized in the period in which they can be reasonably estimated.

## New Mexico Medical Insurance Pool Notes to Financial Statements

---

**Assessment refunds payable** – The Pool levies assessments against health insurers registered in the State of New Mexico annually on an estimated basis. At the end of each year, assessments are reevaluated based on the financial performance of the Pool. If the estimated assessments made during the year are determined to be in excess of the annual requirements upon reevaluation, assessment refunds are paid back to the health insurers. The assessment refunds payable represents the amount due back to health insurers related to this reevaluation.

**Payable to third-party administrator** – The third-party administrator of the Pool is VHBA. In exchange for all the administrative services provided by the third-party administrator, the Pool paid an administrative fee on a per month basis. Total amounts paid to the third-party administrator were \$3,703,974 and \$3,132,583 for the years ending December 31, 2022 and 2021, respectively. These expenses are included in claims processing costs in the statements of revenues, expenses, and changes in net position. Amounts payable to the third-party administrator for these services were \$338,716 and \$261,680 at December 31, 2022 and 2021, respectively.

In 2021, the Pool entered into a contract with Ensemble of Albuquerque LLC, a third-party case management provider. In exchange for all case management services provided by the paid third-party case manager, the Pool paid a case management fee on a per member per month basis. Total amounts paid to the third-party case manager were \$2,718,207 and \$701,888 for the years ending December 31, 2022 and 2021, respectively which is included in claims processing costs in the statements of revenues, expenses, and changes in net position. Amounts payable to the third-party for these services were \$217,871 and \$391,694 at December 31, 2022 and 2021, respectively.

**Net position** – Net position represents the difference between all other elements in the statements of net position and consists of three components – net investment in capital assets, restricted, and unrestricted. There was no net investment in capital assets or restricted net position in 2022 or 2021.

Net position of the Pool was \$522,155 as of December 31, 2022 and 2021. The amount represents the historical excess of the Pool's premiums and assessments revenues over its costs. The Pool accrues assessments revenue or refunds (contra-revenue) at the end of each calendar year based on the Pool's income or loss prior to those final assessments, and, accordingly, there was no operating income or loss reported in 2022 or 2021. Management and the Board of Directors routinely review the appropriateness of the amount of net position and believe such amount is appropriate as of December 31, 2022 and 2021.

**Earned and unearned premium revenue** – Premium revenue is recognized as revenue in the month premiums are earned. Policyholders pay premiums monthly over their contract period, which is determined by the effective date of their policy. Policyholders who do not remit their premiums within 45 days of the monthly due date are terminated from the plan. Delinquent premium payments are recognized as revenue upon collection and are not accrued.

**Income and premium taxes** – In management's opinion, the Pool provides an essential governmental function to its members as described in Section 115 of the Internal Revenue Code, and, accordingly, the Pool is exempt from such taxes. No provision for such taxes is included in the accompanying financial statements. The Pool is also exempt from State of New Mexico taxes.



## **New Mexico Medical Insurance Pool Notes to Financial Statements**

---

**Subsequent events** – Subsequent events are events or transactions that occur after the balance sheets date but before financial statements are available to be issued. The Pool recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statements of net position, including the estimates inherent in the process of preparing the financial statements. The Pool's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheets but arose after the statements of net position date and before financial statements are available to be issued.

The Pool has evaluated subsequent events through June 1, 2023, which is the date the financial statements were available to be issued.

### **Note 2 – Line-of-Credit**

The Pool has a \$3,000,000 line-of-credit from a local financial institution, expiring November 15, 2023. Interest, payable monthly, is variable at the bank's index which is the BOK Financial, dba Bank of Albuquerque national prime rate (8.25% at December 31, 2022). There were no balances outstanding as of December 31, 2022 and 2021, and there were no draws against the line-of-credit in either 2022 or 2021.

### **Note 3 – Liability for Claims and Claim Processing Costs**

The Pool's liability for claims and claim processing costs includes an amount determined from claims reports and an amount for claims incurred but not reported. Estimates of the liability for amounts incurred but not reported as of December 31, 2022 and 2021, have been based on an actuarial evaluation of the program's historical claims experience, industry data, and other factors.

## New Mexico Medical Insurance Pool

### Notes to Financial Statements

---

Estimated claims processing costs are accrued when the related liability for unpaid claims is accrued, and represents the costs of paying the administrator to process all remaining claims, which is estimated at three months of typical administrative charges. While management believes that these estimates are adequate, actual incurred but unpaid claims and claim processing costs may vary significantly from the amounts provided. Changes in reserves for claims and claims processing costs were as follows for the years ended December 31:

	2022	2021
Liability for claims and claims processing costs, beginning of year	\$ 26,434,604	\$ 17,800,762
Incurred claims and claims processing costs		
Prior years	(8,444,124)	(447,691)
Current year	135,638,183	112,486,115
Total	127,194,059	112,038,424
Claims paid		
Prior years	17,147,399	16,937,223
Current year	106,935,510	86,467,359
Total	124,082,909	103,404,582
Liability for claims and claims processing costs, end of year	\$ 29,545,754	\$ 26,434,604

As a result of changes between actual payments for medical services and estimated amounts in previous years, claims expenses decreased by \$8,444,124 and \$447,691 for the years ended December 31, 2022 and 2021, respectively. Management believes the decrease in estimated prior years' claims expenses is largely a result of lower-than-expected adverse health care claims expense in both 2022 and 2021. Changes in estimates in prior year decreased as a result of favorable development.

The liability for claims and claims processing costs, end of year is composed of the following:

	2022	2021
Estimated claims incurred but not reported	\$ 27,709,000	\$ 24,923,000
Accrued claims	917,754	797,604
Accrued claims processing costs	919,000	714,000
Total liability for claims and claims processing costs, end of year	\$ 29,545,754	\$ 26,434,604

## **Required Supplementary Information**

---

## New Mexico Medical Insurance Pool Claims Development Information

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Net Required Contributions and Investment Income	\$ 178,932,311	\$ 126,846,036	\$ 75,758,480	\$ 85,733,669	\$ 92,605,801	\$ 81,799,848	\$ 99,527,905	\$ 101,127,604	\$ 112,544,482	\$ 132,643,216
Unallocated Expenses (G&A)	1,480,827	1,627,725	1,523,333	1,158,097	1,198,701	1,031,447	1,248,980	1,291,239	1,370,207	1,631,909
Estimated Claims and Expenses End of Policy Year	179,617,111	126,040,837	80,800,822	86,254,169	90,489,400	81,355,772	96,539,990	101,909,879	112,486,115	135,638,183
Paid (cumulative) as of										
End of Policy Year	147,232,050	105,120,343	66,643,687	70,806,376	77,228,293	65,592,678	80,318,665	84,124,121	86,467,359	106,935,510
One Year Later	181,651,754	122,326,195	80,761,804	86,630,232	90,284,352	83,356,380	94,445,856	100,875,163	108,245,695	-
Two Years Later	181,315,777	122,379,200	80,938,204	86,630,232	90,108,213	83,767,022	94,664,248	101,086,829	-	-
Three Years Later	181,553,530	122,443,414	80,938,204	86,630,232	90,081,206	83,760,664	94,654,258	-	-	-
Four Years Later	181,678,542	122,443,414	80,938,204	86,630,232	90,055,382	83,714,748	-	-	-	-
Five Years Later	181,678,542	122,443,414	80,938,204	86,630,232	90,055,382	-	-	-	-	-
Six Years Later	181,678,542	122,443,414	80,938,204	86,630,232	-	-	-	-	-	-
Seven Years Later	181,678,542	122,443,414	80,938,204	-	-	-	-	-	-	-
Eight Years Later	181,678,542	122,443,414	-	-	-	-	-	-	-	-
Nine Years Later	181,678,542	-	-	-	-	-	-	-	-	-
Ten Years Later										
Re-estimate of Incurred Claims and Expense										
End of Policy Year	179,617,111	126,040,837	80,800,822	86,254,169	90,849,400	81,355,772	96,539,990	101,909,879	112,486,115	135,638,183
One Year Later	181,746,083	122,327,099	80,805,566	86,630,232	90,300,711	83,378,163	94,459,856	101,289,155	109,089,265	-
Two Years Later	181,315,777	122,379,200	80,938,204	86,630,232	90,108,213	83,767,022	94,667,602	101,086,829	-	-
Three Years Later	181,553,530	122,443,414	80,938,204	86,630,232	90,081,206	83,760,664	94,654,258	-	-	-
Four Years Later	181,678,542	122,443,414	80,938,204	86,630,232	90,055,382	83,714,748	-	-	-	-
Five Years Later	181,678,542	122,443,414	80,938,204	86,630,232	90,055,382	-	-	-	-	-
Six Years Later	181,678,542	122,443,414	80,938,204	86,630,232	-	-	-	-	-	-
Seven Years Later	181,678,542	122,443,414	80,938,204	-	-	-	-	-	-	-
Eight Years Later	181,678,542	122,443,414	-	-	-	-	-	-	-	-
Nine Years Later	181,678,542	-	-	-	-	-	-	-	-	-
Increase (Decrease) in Estimated Incurred Claims and Expenses from End of Policy Year	2,061,431	\$ (3,597,423)	\$ 137,382	\$ 376,063	\$ (794,018)	\$ 2,358,976	\$ (1,885,732)	\$ (823,050)	\$ (3,396,850)	\$ -

## **Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

The Board of Directors  
New Mexico Medical Insurance Pool

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of New Mexico Medical Insurance Pool (the Pool), which comprise the statement of net position as of December 31, 2022, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 1, 2023.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered New Mexico Medical Insurance Pool's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of New Mexico Medical Insurance Pool's internal control. Accordingly, we do not express an opinion on the effectiveness of New Mexico Medical Insurance Pool's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weakness or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in accompanying schedule of findings as item 2022-001, that we consider to be material weakness.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether New Mexico Medical Insurance Pool's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Pool's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Pool's response to the findings identified in our audit and described in the accompanying schedule of findings. The Pool's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Pool's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pool's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Moss Adams LLP".

Albuquerque, New Mexico  
June 1, 2023

## New Mexico Medical Insurance Pool Schedule of Findings

---

### 2022-001 Financial Reporting

**Criteria:** Posting of transactions in the correct period and proper recognition of year-end adjustments are necessary to provide accurate financial statements.

**Condition and Context:** During our substantive testing over account balances, we noted that the 2021 closing entry related to assessment refunds payable in the amount of \$21.2 million at December 31, 2021, was recorded in 2022, causing the current year assessments revenue to be understated. In addition, due to not recording the entry in 2022, there was a change in net position for 2021 that was closed to unrestricted net position in the internal accounting records, even though the Pool was set up to break even each year and not have any change in net position.

**Cause:** Management did not record the year-end adjustment related to assessment revenue in the correct period and did not identify the impact that it had on the beginning net position and revenue in 2022.

**Effect:** Beginning net position for 2022 was overstated by \$21.2 million and 2022 revenue was understated by the same amount.

**Recommendation:** We recommend that management post all entries in the correct period and update its policies and procedures to ensure that all adjustments made to the general ledger are in compliance with generally accepted accounting principles.

**Management's Response:** It is the goal of the Pool to provide accurate financial statements. We intend to implement the recommendation and update our policies and procedures with our third-party administrator to ensure that all entries are posted in the correct period. Additionally, we will update our policies and procedures to ensure that all adjustments made the general ledger fall in compliance with generally accepted accounting principles.