



REPORT OF INDEPENDENT AUDITORS AND
FINANCIAL STATEMENTS WITH SUPPLEMENTARY
INFORMATION

NEW MEXICO MEDICAL INSURANCE POOL

December 31, 2020 and 2019

Table of Contents

	PAGE
Report of Independent Auditors	1–2
Management’s Discussion and Analysis	3–5
Basic Financial Statements	
Statements of Net Position	6
Statements of Revenues, Expenses, and Changes in Net Position	7
Statements of Cash Flows	8
Notes to Financial Statements	9–14
Required Supplementary Information	
Claims Development Information	15
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>	16–17

Report of Independent Auditors

The Board of Directors
New Mexico Medical Insurance Pool

Report on Financial Statements

We have audited the accompanying financial statements of the New Mexico Medical Insurance Pool (the Pool), which comprise the statements of net position as of December 31, 2020 and 2019, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether 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 the auditor's 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, the auditor considers internal control 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 control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pool as of December 31, 2020 and 2019, and the changes in its net position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*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 3 through 5 and page 15, be presented to supplement the basic financial statements. Such information, 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 July 20, 2021 on our consideration of the 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 the 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 the Pool's internal control over financial reporting and compliance.

Mess Adams LLP

Albuquerque, New Mexico
July 20, 2021

New Mexico Medical Insurance Pool

Management's Discussion and Analysis

Years Ended December 31, 2020 and 2019

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, 2020 and 2019.

Financial Highlights

The Pool reported a net position of \$522,155 at the close of its most recent fiscal year; the total assets were \$22,506,007 and total liabilities were \$21,983,852. 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 2020 was \$90,253,156 which is an increase of \$1,862,052 (2.1%) from 2019. The actual loss amount (prior to assessments paid by insurers) for 2019 was \$88,391,106 which is an increase of \$17,574,490 (24.8%) from 2018.

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's Discussion and Analysis
Years Ended December 31, 2020 and 2019**

Condensed Financial Information

	<u>2020</u>	<u>2019</u>	<u>2018</u>
SUMMARY BALANCE SHEETS			
Total assets - current	\$ 22,506,007	\$ 17,359,624	\$ 24,847,304
Accrued claims and processing costs - current	17,800,762	16,248,437	15,780,000
Other payables - current	<u>4,183,090</u>	<u>589,032</u>	<u>8,545,149</u>
Total liabilities - current	<u>21,983,852</u>	<u>16,837,469</u>	<u>24,325,149</u>
Net position	<u>\$ 522,155</u>	<u>\$ 522,155</u>	<u>\$ 522,155</u>

SUMMARY STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Premiums	\$ 10,837,671	\$ 11,065,530	\$ 10,937,326
Assessments	90,262,812	88,398,323	70,827,116
Other income	<u>27,121</u>	<u>64,052</u>	<u>35,406</u>
Total operating revenues	<u>101,127,604</u>	<u>99,527,905</u>	<u>81,799,848</u>
Operating expenses			
Claims and related processing costs	99,836,365	98,278,925	80,768,401
General and administrative	<u>1,291,239</u>	<u>1,248,980</u>	<u>1,031,447</u>
Total operating expenses	<u>101,127,604</u>	<u>99,527,905</u>	<u>81,799,848</u>
Change in net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Overall Financial Analysis

Total assets for the State Pool increased from 2019 to 2020 primarily due to increase in assessments revenue.

Premium rates increased an average 2.1% on January 1, 2020. The Pool experienced a 2% decrease in earned premiums from 2019 to 2020, due to an increase of 12.7% of individuals in low-income premium plans from 2019 to 2020.

Pool Activities

In January 2020, premium rates increased an average of 2.8% 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 2020 rates were set at 116% of the standard risk rate for traditional plans and 115% of the standard risk rate for Medicare carve-out plans. In May 2020, the multipliers for all plans were reduced to 1.00, resulting in a 14% rate reduction. Discounts of up to 75% are allowed for low income enrollees. Pool membership had a net increase of 416 members, from 2,631 at the end of 2019, to total membership of 3,047 at the end of 2020.

New Mexico Medical Insurance Pool

Management's Discussion and Analysis

Years Ended December 31, 2020 and 2019

Budget Analysis

In 2020, Pool losses were \$90,253,156, \$11,207,043 less than budgeted. Even though membership was up 10.6% of budget, assessments were 7.9% less than budgeted, due to lower claims trends. The original 2020 budget assumed a 10% medical claims trend for traditional plans and a 5% medical claims trend for Medicare plans. The original budget also assumed a 10% pharmacy trend for all plans and the addition of 100 hepatitis-C members under a special state-sponsored program. The actual combined trend was 11.5%. Claims were impacted in the second and third quarters by a reduction in utilization resulting from COVID-19. Overall, income was 18.2% less than projected, due to a decrease in assessments. Earned premium was 10.4% less than forecast, due to more individuals on low income premium program. Operating expenses were 6.2% more than forecasted.

Participation in the Low-Income Premium Program (LIPP) increased from 49.0% in 2019 and 61.7% in 2020. Overall, there was a 12.3% increase in membership, due to the Pool being the "safety net", offering coverage to individuals unable to obtain coverage through the Exchange or the commercial market during closed enrollment.

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 21st Century Cures Act making it possible for ESRD patients to enroll in Medical Advantage plans has had the impact of reducing the enrollment in NMMIP's Medicare plan.

At the end of 2018, the Pool entered into contract with two providers to help solve a balance bill issue with some of the Pool enrollees. Claims paid in 2018 were adjusted in 2019 and then expensed out in 2019. The total amount of those claims related to 2018 totaled \$1,673,878.

The administrative services agreement with Benefit Management LLC (BML) expires on December 31, 2022. In 2020, the per member per month (pmpm) fee was \$78.00. The Pool paid BML a total of \$2,748,270 for administrative services in 2020.

Per the administrative services contract with BML, if the agreement is not renewed, "administrator will provide claims runout services for up to twelve months. BML 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 BML 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 Debbie Armstrong, Pool's Executive Director at 1223 St. Francis Drive Suite B, Santa Fe, NM 87505.

New Mexico Medical Insurance Pool
Statements of Net Position

	December 31,	
	2020	2019
ASSETS		
CURRENT ASSETS		
Cash	\$ 20,703,404	\$ 2,676,691
Premium receivable	1,044,825	327,798
Pharmacy rebate receivable	393,233	450,000
Assessments receivable	364,545	13,905,135
Total current assets	22,506,007	17,359,624
LIABILITIES		
CURRENT LIABILITIES		
Estimated claims incurred but not reported	16,488,000	15,094,000
Accrued claims	654,762	599,437
Accrued claims processing costs	658,000	555,000
Accrued expenses	82,925	76,548
Assessment refunds payable	3,207,044	-
Unearned premiums	644,067	310,894
Payable to third-party administrator	249,054	201,590
Total current liabilities	21,983,852	16,837,469
NET POSITION		
UNRESTRICTED	522,155	522,155
Total net position	\$ 522,155	\$ 522,155

See accompanying notes to these financial statements.

New Mexico Medical Insurance Pool
Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended December 31,	
	2020	2019
OPERATING REVENUES		
Premiums	\$ 10,837,671	\$ 11,065,530
Assessments	90,253,156	88,391,106
Initial assessments	9,656	7,217
Interest income	27,121	64,052
Total operating revenues	101,127,604	99,527,905
OPERATING EXPENSES		
Claims	96,985,095	95,964,640
Claims processing costs	2,851,270	2,314,285
General and administrative	1,291,239	1,248,980
Total operating expenses	101,127,604	99,527,905
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 to these financial statements.

New Mexico Medical Insurance Pool

Statements of Cash Flows

	Years Ended December 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from policyholders and insurers	\$ 117,464,263	\$ 78,122,491
Payments for claims and claims processing costs	(98,227,273)	(97,810,488)
Payments to providers and suppliers	(1,237,398)	(1,236,421)
Interest received	27,121	64,052
	<u>18,026,713</u>	<u>(20,860,366)</u>
Net cash provided by (used in) operating activities	18,026,713	(20,860,366)
NET INCREASE (DECREASE) IN CASH	18,026,713	(20,860,366)
CASH, beginning of year	<u>2,676,691</u>	<u>23,537,057</u>
CASH, end of year	<u><u>\$ 20,703,404</u></u>	<u><u>\$ 2,676,691</u></u>
RECONCILIATION OF CHANGES IN NET POSITION		
TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Change in net position	\$ -	\$ -
Adjustments to reconcile change in net position		
to net cash provided by (used in) operating activities		
Changes in assets and liabilities		
Premium receivable	(717,027)	134,002
Pharmacy rebate receivable	56,767	150,000
Assessments receivable	13,540,590	(13,656,688)
Estimated claims incurred but not reported	1,394,000	406,000
Accrued claims	55,325	39,437
Accrued claims processing costs	103,000	23,000
Accrued expenses	6,377	(5,077)
Assessment refunds payable	3,207,044	(7,661,252)
Unearned premiums	333,173	(307,424)
Payable to third-party administrator	47,464	17,636
	<u>18,026,713</u>	<u>(20,860,366)</u>
Total adjustments	18,026,713	(20,860,366)
Net cash provided by (used in) operating activities	<u><u>\$ 18,026,713</u></u>	<u><u>\$ (20,860,366)</u></u>

See accompanying notes to these financial statements.

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 Benefits Management, LLC (BML) during 2020 and 2019.

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 statement 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, 2020 and 2019.

New Mexico Medical Insurance Pool

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

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.

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, 2020 or 2019.

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's 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, 2020 and 2019, 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 \$24,204,740 and \$9,814,175 at December 31, 2020 and 2019, 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 statement 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.

New Mexico Medical Insurance Pool

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

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.

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 represent the amount due back to health insurers related to this reevaluation.

Payable to Third-Party Administrator

The third-party administrator of the Pool is BML. 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 \$2,748,270 and \$2,291,285 for the years ending December 31, 2020 and 2019. Amounts payable to the third-party administrator for these services were \$249,054 and \$201,590 at December 31, 2020 and 2019, respectively.

Net Position

Net position represents the difference between all other elements in the statement 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 2020 or 2019.

Net position of the Pool was \$522,155 as of December 31, 2020 and 2019. 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 2020 or 2019. 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, 2020 and 2019.

New Mexico Medical Insurance Pool

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

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.

Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet 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 statement 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 sheet but arose after the statement of net position date and before financial statements are available to be issued.

The Pool has evaluated subsequent events through July 20, 2021, 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, 2021. Interest, payable monthly, is variable at the bank's index which is the BOK Financial, dba Bank of Albuquerque national prime rate (4.00% at December 31, 2020). There were no balances outstanding as of December 31, 2020 or 2019, and there were no draws against the line-of-credit in either 2020 or 2019.

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, 2020 and 2019 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

Note 3 – Liability for Claims and Claim Processing Costs (continued)

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:

	2020	2019
Liability for claims and claims processing costs, beginning of year	\$ 16,248,437	\$ 15,780,000
Incurred claims and claims processing costs		
Prior years (refunds) claims	(1,717,926)	1,829,724
Current year claims	101,909,879	96,539,990
	100,191,953	98,369,714
Claims paid		
Prior years claims	14,515,507	17,587,702
Current year claims	84,124,121	80,313,575
	98,639,628	97,901,277
Liability for claims and claims processing costs, end of year	\$ 17,800,762	\$ 16,248,437

As a result of changes between actual payments for medical services and estimated amounts in previous years, claims expenses decreased for the year ended December 31, 2020 by \$1,717,926 and increased for the year ended December 31, 2019 by \$1,829,724. Management believes the decrease in estimated prior years' claims expenses is largely a result of lower-than-expected adverse health care claims expense in 2020 and larger-than-expected adverse health care claims expense in 2019.

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

	2020	2019
Estimated claims incurred but not reported	\$ 16,488,000	\$ 15,094,000
Accrued claims	654,762	599,437
Accrued claims processing costs	658,000	555,000
Total liability for claims and claims processing costs, end of year	\$ 17,800,762	\$ 16,248,437

New Mexico Medical Insurance Pool

Notes to Financial Statements

Note 4 – Uncertainty Regarding COVID-19 Pandemic

A strain of coronavirus, identified in December 2019 (COVID-19), has spread globally including the geographic locations of the Pool's members. Although not completely measurable, the Pool's medical cost trend, access to labor, and supply chains are being impacted by the COVID-19 pandemic. Such events are generally outside of the Pool's control and can have a material adverse impact on its operations in 2021 and beyond. Management anticipates that the providers may experience an increase in medical cost trend due to pent-up demand that could be significant.

Required Supplementary Information

New Mexico Medical Insurance Pool Claims Development Information

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Net Required Contributions and Investment Income	\$ 135,788,722	\$ 154,747,897	\$ 178,932,311	\$ 126,846,036	\$ 75,758,480	\$ 85,733,669	\$ 92,605,801	\$ 81,799,848	\$ 99,527,905	\$ 101,127,604
Unallocated Expenses (G&A)	1,399,242	1,835,043	1,480,827	1,627,725	1,523,333	1,158,097	1,198,701	1,031,447	1,248,980	1,291,239
Estimated Claims and Expenses End of Policy Year	138,089,610	158,051,366	179,617,111	126,040,837	80,800,822	86,254,169	90,489,400	81,355,772	99,058,881	101,909,879
Paid (cumulative) as of:										
End of Policy Year	110,663,672	132,578,137	149,894,050	105,120,343	66,643,687	70,806,376	77,228,293	65,592,678	80,318,065	84,124,121
One Year Later	135,729,149	157,923,472	181,651,754	122,326,195	80,761,804	86,630,232	90,284,352	83,356,380	94,445,856	
Two Years Later	136,249,300	158,299,023	181,315,777	122,379,200	80,938,204	86,630,232	90,108,213	83,767,022		
Three Years Later	136,250,090	158,421,854	181,553,530	122,443,414	80,938,204	86,630,232	90,081,206			
Four Years Later	136,238,314	158,392,857	181,678,542	122,443,414	80,938,204	86,630,232				
Five Years Later	136,238,314	158,392,857	181,678,542	122,443,414	80,938,204					
Six Years Later	136,238,314	158,392,857	181,678,542	122,443,414						
Seven Years Later	136,238,314	158,392,857	181,678,542							
Eight Years Later	136,238,314	158,392,857								
Nine Years Later	136,238,314									
Ten Years Later										
Reestimate of Incurred Claims and Expense End of Policy Year	138,089,610	158,051,366	179,617,111	126,040,837	80,800,822	86,254,169	90,849,400	81,355,772	96,539,990	101,909,879
One Year Later	135,738,572	157,985,028	181,746,083	122,327,099	80,805,566	86,630,232	90,300,711	83,378,163	94,459,856	
Two Years Later	136,249,600	158,299,023	181,315,777	122,379,200	80,938,204	86,630,232	90,108,213	83,767,022		
Three Years Later	136,250,090	158,421,854	181,553,530	122,443,414	80,938,204	86,630,232	90,081,206			
Four Years Later	136,238,314	158,392,857	181,678,542	122,443,414	80,938,204	86,630,232				
Five Years Later	136,238,314	158,392,857	181,678,542	122,443,414	80,938,204					
Six Years Later	136,238,314	158,392,857	181,678,542	122,443,414						
Seven Years Later	136,238,314	158,392,857	181,678,542							
Eight Years Later	136,238,314	158,392,857								
Nine Years Later	136,238,314									
Increase (Decrease) in Estimated Incurred Claims and Expenses from End of Policy Year	(1,851,296)	341,491	2,061,431	(3,597,423)	137,382	376,063	(768,194)	2,411,250	(2,080,134)	-

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 the New Mexico Medical Insurance Pool (the Pool), which comprise the statements of net position as of December 31, 2020, 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, and have issued our report thereon dated July 20, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Pool's 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 the Pool's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mess Adams LLP

Albuquerque, New Mexico
July 20, 2021