

Report of Independent Auditors
and Financial Statements
with Required Supplementary Information

New Mexico Medical Insurance Pool

December 31, 2025 and 2024

Table of Contents

	Page
Report of Independent Auditors	1
Management Discussion and Analysis	5
Financial Statements	
Statements of Net Position	9
Statements of Revenues, Expenses, and Changes in Net Position	10
Statements of Cash Flows	11
Notes to Financial Statements	12
Required Supplementary Information	
Claims Development Information	19
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>	20
Schedule of Findings	22
Schedule of Prior Year Findings	23

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, 2025 and 2024, 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, 2025 and 2024, 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*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 audit. 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 opinions. 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 5 through 7 and page 19, 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 GAAS, 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 May 29, 2026, 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.

Baker Tilly US, LLP

Albuquerque, New Mexico

May 29, 2026

Management Discussion and Analysis

New Mexico Medical Insurance Pool

Management Discussion and Analysis

Years Ended December 31, 2025 and 2024

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, 2025 and 2024.

Financial highlights – The Pool reported a net position of \$522,155 at the close of its most recent fiscal year; the total assets were \$44.7 million, and total liabilities were \$44.2 million. 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. The Pool's 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, assessment refunds payable, 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 2025 was \$140.2 million, which is an increase of \$23.7 million (20.3%) from 2024. The actual loss amount (prior to assessments paid by insurers) for 2024 was \$116.5 million, which was a decrease of \$29.8 million (20.4%) from 2023.

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, 2025 and 2024**

Condensed financial information

	2025	2024	2023
SUMMARY BALANCE SHEETS			
Cash	\$ 31,143,527	\$ 65,948,466	\$ 25,817,053
Receivables	13,604,772	2,332,059	21,472,621
Total assets - current	44,748,299	68,280,525	47,289,674
Accrued claims and processing costs - current	43,535,903	37,324,722	30,559,509
Other payables - current	690,241	30,433,648	16,208,010
Total liabilities - current	44,226,144	67,758,370	46,767,519
Net position	\$ 522,155	\$ 522,155	\$ 522,155

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

Premiums	\$ 11,228,111	\$ 10,982,066	\$ 7,640,089
Assessments	140,190,890	116,490,625	146,264,517
Other income	2,360,548	2,162,767	223,229
Total operating revenues	153,779,549	129,635,458	154,127,835
Operating expenses			
Claims and related processing costs	150,620,134	127,593,403	152,111,469
General and administrative	3,159,415	2,042,055	2,016,366
Total operating expenses	153,779,549	129,635,458	154,127,835
Change in net position	\$ -	\$ -	\$ -

Overall financial analysis – Total assets for the Pool decreased from 2024 to 2025 primarily due to an increase in claims and the timing of assessments revenue.

Pool activities – In January 2025, premium rates increased an average of 7.7% due to an increase in the standard risk rates and a slight decrease in the multipliers. By law, premium rates can be calculated at up to 150% of the standard risk rate. January 2025 rates were set at 107% of the standard risk rate for traditional plans and 107% of the standard risk rate for Medicare carve-out plans. Discounts of up to 75% are allowed for low-income enrollees. The Pool's membership had a net decrease of 862 (27.3%) members, from 3,161 at the end of 2024, to total membership of 2,299 at the end of 2025.

Budget analysis – The approved budget for 2025 assumed that enrollment would drop during the year by approximately 600 members. The projected assessment in the approved budget was \$143.1 million. The budget assumed a 5.0% medical claims trend and 5.0% pharmacy trend.

New Mexico Medical Insurance Pool Management Discussion and Analysis Years Ended December 31, 2025 and 2024

The actual drop in enrollment was greater than expected at 862 members. The greater loss of enrollment was offset by significantly higher claim costs. The combined trend was 21.5% with medical trend at 19.6% and the pharmacy trend at 31.0%. Earned premium and operating expenses were less than budgeted due to the lower enrollment.

As a result of these combined factors, the actual 2025 assessments (\$140.2 million) were about \$2.9 million (2.1%) below the budgeted amount of \$143.1 million.

Current trends and conditions and future impact – Federal policy changes and continued high industry-wide claim cost trends will affect the Pool's financial results in 2026. Among the factors that were considered in setting the budget for 2026 and other factors of general concern include the following:

- Based on a significant increase in the industry Standard Risk Rate, the Pool's rates were increased by an average 39% in January 2026. This is expected to result in a continued loss of enrollment, while those remaining in the Pool are likely to be those with the highest claim costs, leading to a worsening overall risk pool.
- The impact of the end of COVID-era enhanced Advanced Premium Tax Credits (APTC) and return to pre-COVID premium subsidy levels was muted by NM state-level subsidies for enrollees below 400% FPL, so did not have the enrollment impacts experienced in other states. It is unknown if those over 400% FPL will find their way into the Pool outside of open enrollment in order to access discounted rates.
- Individuals under 150% FPL will not be eligible for tax credits outside of open enrollment like in prior years. Whether those individuals will find their way into the Pool outside of open enrollment in order to access discounted rates is unknown.
- Continued high pharmacy trend is expected due to new expensive drugs such as gene therapy, non-opioid pain medications, and cancer drugs.
- Financial losses currently being experienced by insurance carriers could lead to additional large rate increases or market-wide instability due to market withdrawals.

Administrative changes – The administrative contract with 90 Degree Benefits has been in place since January 1, 2024. In late 2024, they also assumed the network administration and pharmacy benefits management services. No significant administrative changes were made in 2025.

Contacting the Pool's financial management – This financial report is designed to provide the public with a general overview of the Pool's finances. If you have any questions about this report or need additional financial information, contact Kristina Leeper, the Pool's Executive Director at 500 Marquette Ave NW, Suite 280, Albuquerque, New Mexico 87102.

Financial Statements

New Mexico Medical Insurance Pool
Statements of Net Position
December 31, 2025 and 2024

	2025	2024
ASSETS		
ASSETS		
Cash	\$ 31,143,527	\$ 65,948,466
Net premium receivable (net of allowance for uncollectible accounts of \$178,440 in 2025 and \$831,809 in 2024)	1,162,878	875,768
Pharmacy rebate receivable	2,086,474	1,057,569
Assessments receivable	10,355,420	398,722
	\$ 44,748,299	\$ 68,280,525
LIABILITIES		
LIABILITIES		
Estimated claims incurred but not reported	\$ 38,888,000	\$ 35,830,000
Accrued claims	4,169,903	964,722
Accrued claims processing costs	478,000	530,000
Accrued expenses	160,904	153,667
Assessment refunds payable	-	29,602,770
Unearned premiums	369,635	454,445
Payable to third-party administrator	159,702	222,766
	\$ 44,226,144	\$ 67,758,370
NET POSITION		
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, 2025 and 2024

	2025	2024
OPERATING REVENUES		
Premiums, net	\$ 11,228,111	\$ 10,982,066
Assessments	140,190,890	116,490,625
Interest income	1,452,130	2,162,767
Other income	908,418	-
Total operating revenues	153,779,549	129,635,458
OPERATING EXPENSES		
Claims	145,119,302	121,025,336
Claims processing costs	5,500,832	6,568,067
General and administrative	3,159,415	2,042,055
Total operating expenses	153,779,549	129,635,458
CHANGE IN NET POSITION	-	-
NET POSITION, beginning of year	522,155	522,155
NET POSITION, end of year	\$ 522,155	\$ 522,155

See accompanying notes.

New Mexico Medical Insurance Pool
Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from policyholders and insurers	\$ 112,396,031	\$ 160,919,926
Payments for claims and claims processing costs	(145,437,858)	(120,520,621)
Payments to providers and suppliers	(3,215,242)	(2,430,659)
Interest received	1,452,130	2,162,767
Net cash from operating activities	(34,804,939)	40,131,413
NET (DECREASE) INCREASE IN CASH	(34,804,939)	40,131,413
CASH, beginning of year	65,948,466	25,817,053
CASH, end of year	\$ 31,143,527	\$ 65,948,466
RECONCILIATION OF CHANGES IN NET POSITION TO NET CASH FROM OPERATING ACTIVITIES		
Change in net position	\$ -	\$ -
Adjustments to reconcile change in net position to net cash from operating activities		
Changes in assets and liabilities		
Premium receivable	(287,110)	41,239
Pharmacy rebate receivable	(1,028,905)	307,569
Assessments receivable	(9,956,698)	18,791,754
Estimated claims incurred but not reported	3,058,000	6,763,000
Accrued claims	3,205,181	317,213
Accrued claims processing costs	(52,000)	(315,000)
Accrued expenses	7,237	(98,167)
Assessment refunds payable	(29,602,770)	14,755,496
Unearned premiums	(84,810)	(141,254)
Payable to third-party administrator	(63,064)	(290,437)
Total adjustments	(34,804,939)	40,131,413
Net cash from operating activities	\$ (34,804,939)	\$ 40,131,413

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 90 Degree Benefits during 2025 and 2024. Prior to January 1, 2024, the Pool was administered by Value Health Benefits Administrators (VHBA). VHBA abruptly closed in August 2024, after which 90 Degree Benefits took over the network administration and pharmacy benefits management services previously provided by VHBA. As part of the contract transition in early 2024, VHBA provided a significant amount of data to the Pool and 90 Degree Benefits. However, because of the sudden closure, access to certain financial records, eligibility and claim data, and original member applications that had not yet been transferred to the Pool and 90 Degree Benefits was not available.

Basis of presentation – The Pool follows Governmental Accounting Standards Board (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, 2025 and 2024.

New Mexico Medical Insurance Pool Notes to Financial Statements

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, 2025 or 2024.

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 noninterest and interest-bearing deposits with financial institutions that are believed to be of high credit quality. As of December 31, 2025 and 2024, 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 \$31,763,070 and \$63,642,964 at December 31, 2025 and 2024, 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.

New Mexico Medical Insurance Pool

Notes to Financial Statements

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. Total assessments receivable were \$10,355,420 and \$398,722 for the years ending December 31, 2025 and 2024, respectively. 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. Total assessment refunds payable were \$0 and \$29,602,770 for the years ending December 31, 2025 and 2024, respectively. The assessment refunds payable represents the amount due back to health insurers related to this reevaluation.

Payable to third-party administrator – During 2024, 90 Degree Benefits became the third-party administrator of the Pool. In exchange for all the administrative services provided by the third-party administrators, the Pool paid an administrative fee on a per month basis. Total amounts paid to the third-party administrator were \$3,240,524 and \$3,676,011 for the years ending December 31, 2025 and 2024, 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 \$0 and \$13,977 at December 31, 2025 and 2024, respectively, and are included in the amounts payable to the third-party administrator in the statement of net position. The administrative services agreement with 90 Degree Benefits is through December 31, 2026.

In 2021, the Pool entered into a contract with Ensemble of Albuquerque LLC, a third-party case management provider. During 2024, the Pool also entered into contract with Acentra, a third-party case management provider. In exchange for all case management services provided by the third-party case managers, the Pool paid a case management fee on a per member per month basis. Total amounts paid to the third-party case managers were \$2,312,308 and \$3,207,056 for the years ending December 31, 2025 and 2024, respectively, which is included in claims processing costs in the statements of revenues, expenses, and changes in net position. Amounts payable to the third parties for these services were \$159,702 and \$208,789 at December 31, 2025 and 2024, respectively, and are included in the amounts payable to the third-party administrator in the statements of net position.

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 2025 or 2024.

New Mexico Medical Insurance Pool

Notes to Financial Statements

Net position of the Pool was \$522,155 as of December 31, 2025 and 2024. 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 2025 or 2024. 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, 2025 and 2024.

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 and receivable and allowance for uncollectible accounts is established for uncollectible premiums. Allowance for uncollectible accounts were \$178,440 and \$831,809 at December 31, 2025 and 2024, respectively.

A summary of premiums, net revenue for the years ended December 31, 2025 and 2024, is as follows:

	2025	2024
Premiums revenue at established rate	\$ 11,406,551	\$ 13,055,428
Provision for uncollectible accounts and refunds	(178,440)	(2,073,362)
Premiums, net	\$ 11,228,111	\$ 10,982,066

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 statements of net position 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 statements of net position 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 May 29, 2026, which is the date the financial statements were available to be issued.

New Mexico Medical Insurance Pool

Notes to Financial Statements

Note 2 – Line-of-Credit

The Pool has a \$5,000,000 line-of-credit from a local financial institution, expiring November 15, 2026. Interest, payable monthly, is variable at the bank's index, which is the BOK Financial, dba Bank of Albuquerque, national prime rate (7.5% at December 31, 2025). There were no balances outstanding as of December 31, 2025 and 2024, and there were no draws against the line-of-credit in either 2025 or 2024.

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, 2025 and 2024, have been based on an actuarial evaluation of the program's historical claims experience, industry data, and other factors.

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:

	2025	2024
Liability for claims and claims processing costs, beginning of year	\$ 37,324,722	\$ 30,559,509
Incurred claims and claims processing costs		
Prior years	4,341,996	(2,797,722)
Current year	148,156,760	131,077,671
Total	152,498,756	128,279,949
Claims paid		
Prior years	40,641,117	26,713,522
Current year	105,646,458	94,801,214
Total	146,287,575	121,514,736
Liability for claims and claims processing costs, end of year	\$ 43,535,903	\$ 37,324,722

As a result of differences between actual payments for medical services and estimated amounts in previous years, claims expense increased by \$4,341,996 for the year ended December 31, 2025, and decreased by \$2,797,722 for the year ended December 31, 2024. Management believes the increase in 2025 estimated prior years' claims expense reflects higher-than-expected adverse health care claims expense, while the decrease in 2024 is largely attributable to lower-than-expected claims expense. Overall, the change in estimates reflects unfavorable development in 2025 and favorable development in 2024.

New Mexico Medical Insurance Pool
Notes to Financial Statements

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

	<u>2025</u>	<u>2024</u>
Estimated claims incurred but not reported	\$ 38,888,000	\$ 35,830,000
Accrued claims	4,169,903	964,722
Accrued claims processing costs	<u>478,000</u>	<u>530,000</u>
Total liability for claims and claims processing costs, end of year	<u>\$ 43,535,903</u>	<u>\$ 37,324,722</u>

Required Supplementary Information

New Mexico Medical Insurance Pool Claims Development Information

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Net Required Contributions and Investment Income	\$ 85,733,669	\$ 92,605,801	\$ 81,799,848	\$ 99,572,905	\$ 101,127,604	\$ 112,544,482	\$ 132,643,216	\$ 154,131,335	\$ 129,635,458	\$ 153,779,549
Unallocated Expenses (G&A)	1,158,097	1,198,701	1,031,447	1,248,980	1,291,239	1,370,207	1,631,909	2,016,366	2,042,055	3,159,415
Estimated Claims and Expenses End of Policy Year	86,254,169	90,849,400	81,355,772	96,539,990	101,909,879	112,486,115	135,638,183	157,396,471	131,077,671	148,156,760
Paid (cumulative) as of										
End of Policy Year	70,806,376	77,228,293	65,592,678	80,318,665	84,124,121	86,467,359	106,935,510	127,101,977	94,801,214	105,646,458
One Year Later	86,630,232	90,284,352	83,356,380	94,445,856	100,875,153	108,245,695	132,606,308	153,578,315	134,513,905	-
Two Years Later	86,630,232	90,108,213	83,767,022	94,664,248	101,086,829	109,458,130	132,945,855	154,502,287	-	-
Three Years Later	86,630,232	90,081,206	83,760,664	94,654,258	101,153,911	109,328,773	132,945,855	-	-	-
Four Years Later	86,630,232	90,055,382	83,714,748	94,639,385	101,191,669	109,328,773	-	-	-	-
Five Years Later	86,630,232	90,055,382	83,714,748	94,639,385	101,191,669	-	-	-	-	-
Six Years Later	86,630,232	90,055,382	83,714,748	94,639,385	-	-	-	-	-	-
Seven Years Later	86,630,232	90,055,382	83,714,748	-	-	-	-	-	-	-
Eight Years Later	86,630,232	90,055,382	-	-	-	-	-	-	-	-
Nine Years Later	86,630,232	-	-	-	-	-	-	-	-	-
Re-estimate of Incurred Claims and Expense										
End of Policy Year	86,254,169	90,849,400	81,355,772	96,539,990	101,909,879	112,486,115	135,638,183	157,396,471	131,077,671	148,156,760
One Year Later	86,630,232	90,300,711	83,378,163	94,459,856	101,289,155	109,089,265	132,871,276	154,626,581	135,538,914	-
Two Years Later	86,630,232	90,108,213	83,767,022	94,667,602	101,086,829	109,458,130	132,945,855	154,502,287	-	-
Three Years Later	86,630,232	90,081,206	83,760,664	94,654,258	101,153,911	109,328,773	132,945,855	-	-	-
Four Years Later	86,630,232	90,055,382	83,714,748	94,639,385	101,191,669	109,328,773	-	-	-	-
Five Years Later	86,630,232	90,055,382	83,714,748	94,639,385	101,191,669	-	-	-	-	-
Six Years Later	86,630,232	90,055,382	83,714,748	94,639,385	-	-	-	-	-	-
Seven Years Later	86,630,232	90,055,382	83,714,748	-	-	-	-	-	-	-
Eight Years Later	86,630,232	90,055,382	-	-	-	-	-	-	-	-
Nine Years Later	86,630,232	-	-	-	-	-	-	-	-	-
Increase (Decrease) in Estimated Incurred Claims and Expenses from End of Policy Year	\$ 376,063	\$ (794,018)	\$ 2,358,976	\$ (1,900,605)	\$ (718,210)	\$ (3,157,342)	\$ (2,692,328)	\$ (2,894,184)	\$ 4,461,243	\$ -

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 (*Government Auditing Standards*), the financial statements of New Mexico Medical Insurance Pool (the Pool), which comprise the statement of net position as of December 31, 2025, 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 May 29, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 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 or significant deficiencies may exist that were not identified.

Report on 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.

Baker Tilly US, LLP

Albuquerque, New Mexico

May 29, 2026

**New Mexico Medical Insurance Pool
Schedule of Findings**

No matters were reported.

**New Mexico Medical Insurance Pool
Schedule of Prior Year Findings**

2024-001 Financial Close and Reporting and Internal Control (Significant Deficiency)

Current Status: Resolved

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.