



Report of Independent Auditors
and Financial Statements
with Supplementary Information
and Single Audit Reports for

New Mexico Medical Insurance Pool

December 31, 2015 and 2014

MOSS-ADAMS_{LLP}

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
New Mexico Medical Insurance Pool
Albuquerque, New Mexico

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, 2015 and 2014, 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.

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 opinion.

Board of Directors
New Mexico Medical Insurance Pool
Albuquerque, New Mexico

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Pool as of December 31, 2015 and 2014, and the 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.

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the New Mexico Medical Insurance Pool will continue as a going concern. Management's plans regarding those matters are described in Note 2. There have been significant decreases in Pool membership due to the enactment of the Affordable Care Act, the expansion of Medicaid, and enrollment in the commercial market. The Pool Board of Directors is considering policy and operating changes that will be consistent with the federal and regulatory environment to fill-in the gaps in healthcare coverage. The Pool program cannot be terminated without legislative action and none was presented during the 2016 New Mexico State Legislature's 30-day session.

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 4 through 6 and page 22, respectively, 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.

Board of Directors
New Mexico Medical Insurance Pool
Albuquerque, New Mexico

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Combining Statements of Net Position and Combining Statements of Revenues, Expenses and Changes in Net Position and Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2016 on our consideration of the 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 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 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.

Mess Adams LLP

Albuquerque, New Mexico
April 26, 2016

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NEW MEXICO MEDICAL INSURANCE POOL MANAGEMENT'S DISCUSSION AND ANALYSIS YEARS ENDED DECEMBER 31, 2015 AND 2014

As management of the New Mexico Medical Insurance Pool (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, 2015 and 2014.

Financial Highlights

The Pool reported a net position of \$522,155 at the close of its most recent fiscal year; the total assets were \$16,624,006 and total liabilities were \$16,101,851. 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, assessments to insurers based on the market share of their direct premiums collected within the State of New Mexico, and a federal grant. Liabilities consist of refunds due to carriers for overpayment on the 2015 final assessment, the reserves necessary to pay medical and pharmacy claims, unearned premium, 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 2015 was \$61,214,951, which is a *decrease* of \$37,893,710 (38.23%) from 2014. The actual loss for 2014 was \$99,108,661 which was a *decrease* of \$20,813,710 (17.36%) from the 2013 \$119,922,371 loss amount.

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, assessments to insurance companies authorized to transact health insurance in New Mexico ("insurers"), as well as a grant from the Centers for Medicare and Medicaid Services (CMS) State High Risk Pool grant program. The CMS grant program ended September 30, 2015. 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, 2015 AND 2014**

Condensed Financial Information

	2015	2014	2013
SUMMARY BALANCE SHEETS			
Total Assets - current	\$ 16,624,006	\$ 32,133,214	\$ 38,287,387
Accrued claims and processing costs	14,158,434	21,014,876	32,446,374
Other payables - current	1,943,417	10,596,183	5,318,858
Total liabilities - current	16,101,851	31,611,059	37,765,232
Net Position	\$ 522,155	\$ 522,155	\$ 522,155

SUMMARY STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Premiums	\$ 14,527,867	\$ 22,967,888	\$ 34,091,541
Assessments	61,217,951	99,116,661	119,929,371
Grant income	826,777	1,607,017	1,382,204
Federal contracts	7,782	4,753,655	24,902,112
Other income	5,880	9,640	12,289
Total operating revenues	76,586,257	128,454,861	180,317,517
Operating expenses			
Claims and related processing costs	75,062,924	126,827,136	178,836,690
General and administrative	1,523,333	1,627,725	1,480,827
Total operating expenses	76,586,257	128,454,861	180,317,517
Change in Net Position	\$ -	\$ -	\$ -

Overall financial analysis – Total assets for the State Pool decreased from 2014 to 2015 primarily due to reduced premium revenue from declining membership and a decrease in the budgeted loss amount. The CMS State High Risk Pool grant revenues were reduced due to the program's end on September 30, 2015.

Although rates increased an average 28.8% on January 1, 2015, the Pool experienced a reduction in earned premium from 2014 to 2015 in the amount of \$8.1 million due to a 36% decline in membership. With the decline in membership, claims and administrative expenses decreased.

Pool activities – In January 2015, premium rates increased an average of 28.8% due to an increase in the standard risk rates and benefit modifications. By law, premium rates can be calculated at up to 150% of the standard risk rate. The rates were set at 130% of the standard risk rate. The Pool also made changes to the plan offerings, to be compliant with state law. The Pool is required to offer plans that, at a minimum, reflect the levels of health insurance coverage generally available in New Mexico for small group policies. Pool membership had a net decrease of 1,795 members, ending 2015 with a total membership of 3,238.

NEW MEXICO MEDICAL INSURANCE POOL MANAGEMENT'S DISCUSSION AND ANALYSIS YEARS ENDED DECEMBER 31, 2015 AND 2014

When the Affordable Care Act (ACA) was signed into law in 2010, it created the Federal Pool as a *temporary* program to provide health coverage to uninsured individuals with pre-existing conditions until the health care law took effect on January 1, 2014. All individuals had been transitioned out of the Federal Pool by the program's end on April 30, 2014. The contracted eighteen month close-out period ended October 31, 2015.

Budget analysis – In, 2015 Pool losses were \$61.2 million, \$1.3 million *less* than budgeted. Earned premium was 17% less than forecast and overall, income was 4% less than projected. Claims expense was 5% less and operating expenses were 31% more than forecast. The increase in operating expenses was due to several unexpected line items not included in the initial approved budget: ACA benefit and system updates, a market conduct examination by the Office of the Superintendent of Insurance, the strategic planning retreat for the board of directors, and retention bonuses. There was a substantial increase in broker fees due to brokers receiving a \$300 “finder’s fee” not only for enrolling individuals, but also for transitioning individuals from the Pool to other coverage.

Membership in the Low Income Premium Program (LIPP) increased with almost 65% of Pool policyholders now participating. Overall, there was a 36% decrease in membership, due to the Affordable Care Act (ACA) and policyholders enrolling in the State Exchange, Centennial Care (Medicaid), or the commercial market. Prior to implementation of the ACA in 2014, enrollment increases had been trending at an annual rate of 20%.

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 Affordable Care Act that mandates guaranteed issue of individual health coverage policies will continue to have an impact on new enrollment to the Pool and within the Pool as current enrollees transition to other coverage.

The current three year administrative services agreement expired December 31, 2014, with a provision for two one year extensions, which have both been executed. The final extension will be in effect through December 31, 2016. In 2016, the per member per month (pmpm) fee will be replaced with a flat fee in the amount of \$254,460 per month. A request for proposal for administrative services, beginning January 1, 2017, was issued in early 2016.

In 2014, a “run-out fee” for “run out services” commenced once Pool enrollment decreased to 7,656 policyholders. In 2015, the run-out fee is \$166.80 for each individual terminating coverage in the Pool.

Run-out fees are calculated and paid monthly, based on the net decrease in enrollment occurring during the prior month. Run-out services are provided for twelve months after a policyholder’s termination date in order to process claims incurred by a policyholder prior to their termination date. No claims already paid or denied are adjusted after the expiration of the twelve month run-out period.

**NEW MEXICO MEDICAL INSURANCE POOL
STATEMENTS OF NET POSITION**

ASSETS

	December 31,	
	<u>2015</u>	<u>2014</u>
Cash	\$ 15,115,333	\$ 25,271,773
Assessments receivable	1,508,673	4,829,183
Receivable from HHS	-	30,600
Receivable from third-party administrator	-	2,001,658
	<u> </u>	<u> </u>
Total assets	<u>\$ 16,624,006</u>	<u>\$ 32,133,214</u>

LIABILITIES AND NET POSITION

Estimated claims incurred but not reported	\$ 6,417,000	\$ 11,826,000
Accrued claims	7,205,434	8,393,876
Accrued claims processing costs	536,000	795,000
Assessment refunds payable	1,363,053	9,410,187
Unearned premiums and subsidized assessments	255,169	363,640
Payable to third-party administrator	325,195	817,270
Unearned HHS revenue	-	3,911
Accounts payable	-	1,175
	<u> </u>	<u> </u>
Total liabilities	16,101,851	31,611,059
Net position	<u>522,155</u>	<u>522,155</u>
	<u> </u>	<u> </u>
Total liabilities and net position	<u>\$ 16,624,006</u>	<u>\$ 32,133,214</u>

NEW MEXICO MEDICAL INSURANCE POOL
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Years Ended December 31,	
	2015	2014
OPERATING REVENUES		
Premiums	\$ 14,527,867	\$ 22,967,888
Assessments	61,214,951	99,108,661
Federal contracts	7,782	4,753,655
Initial assessments	3,000	8,000
Grant income	826,777	1,607,017
Interest income	4,880	7,832
Other income	1,000	1,808
	<u>76,586,257</u>	<u>128,454,861</u>
OPERATING EXPENSES		
Claims	72,164,277	122,834,038
Claims processing costs	2,898,647	3,993,098
General and administrative	1,523,333	1,627,725
	<u>76,586,257</u>	<u>128,454,861</u>
CHANGE IN NET POSITION	-	-
NET POSITION at beginning of year	<u>522,155</u>	<u>522,155</u>
NET POSITION at end of year	<u>\$ 522,155</u>	<u>\$ 522,155</u>

NEW MEXICO MEDICAL INSURANCE POOL
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from policyholders and insurers	\$ 72,947,852	\$ 135,525,583
Proceeds from grants	826,777	1,607,017
Payments for claims and claims processing costs	(81,919,366)	(138,258,634)
Payments to providers and suppliers	(2,016,583)	(1,384,302)
Interest received	4,880	7,832
Net cash used in operating activities	<u>(10,156,440)</u>	<u>(2,502,504)</u>
NET DECREASE IN CASH	(10,156,440)	(2,502,504)
CASH, beginning of year	<u>25,271,773</u>	<u>27,774,277</u>
CASH, end of year	<u><u>\$ 15,115,333</u></u>	<u><u>\$ 25,271,773</u></u>
RECONCILIATION OF CHANGES IN NET POSITION		
to net cash provided by operating activities		
CHANGES IN NET POSITION	\$ -	\$ -
ADJUSTMENTS TO RECONCILE CHANGE IN NET POSITION		
to net cash used in operating activities		
Changes in assets and liabilities		
Assessments receivable	3,320,510	2,801,037
Receivable from HHS	30,600	(30,600)
Receivable from third-party administrator	2,001,658	881,232
Estimated claims incurred but not reported	(5,409,000)	(3,781,000)
Accrued claims	(1,188,442)	(7,114,498)
Accrued claims processing costs	(259,000)	(536,000)
Assessment refunds payable	(8,047,134)	7,051,648
Unearned premiums and subsidized assessments	(108,471)	(479,775)
Payable to third-party administrator	(492,075)	242,751
Unearned HHS revenue	(3,911)	(1,537,971)
Accounts payable	(1,175)	672
Total adjustments	<u>(10,156,440)</u>	<u>(2,502,504)</u>
Net cash used in operating activities	<u><u>\$ (10,156,440)</u></u>	<u><u>\$ (2,502,504)</u></u>

NEW MEXICO MEDICAL INSURANCE POOL

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

Operations – The New Mexico Medical Insurance Pool (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.

Effective July 1, 2010, the Pool began claims processing services for the New Mexico Federal High Risk Pool (Federal Pool) through a contract with the State of New Mexico’s Human Services Department (HSD). The Federal Pool close-out period ended October 31, 2015.

The funding for the Pool program (excludes the Federal 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 collectibility of the assessments is probable and reasonably estimable.

If assessments for a fiscal year exceed actual losses and administrative expenses of the State Pool Program for that fiscal year, the excess assessments are refunded, and recorded as accrued assessment refunds for that fiscal year. Any deficit incurred by the State Pool program 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 funding for the Federal Pool program came from premiums received from policyholders and HHS contract funding. Individuals, who met both the eligibility requirements of the Federal Pool program and the State Pool program, were enrolled in the Federal Pool program, and their premiums were subsidized by the State Pool program according to the program’s existing eligibility requirements.

The Pool is administered by Blue Cross and Blue Shield of New Mexico (BCBSNM).

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.

NEW MEXICO MEDICAL INSURANCE POOL

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (continued)

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.

The statement of net position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Net position represents the difference between all other elements in the statement of net position and has been displayed in three components – net investment in capital assets, restricted, and unrestricted. There was no net investment in capital assets or restricted items in 2015 or 2014.

The accompanying financial statements include the accounts and activity of the State Pool, as well as the activity of the Federal Pool, operated as a separate program of the Pool. All inter-program accounts and activity have been eliminated in the accompanying 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. As an operator of the State Pool Program and the Federal Pool program, the principal operating revenues of the Pool are premiums from policyholders, assessments against insurers in the State of New Mexico, grant proceeds that subsidize the operation of the Pool, and contract funding received from HHS (through the close-out period).

Operating expenses of the Pool include the claims and general and administrative expenses. All expenses of the Pool are considered operating expenses.

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.

NEW MEXICO MEDICAL INSURANCE POOL
NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (continued)

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, 2015 and 2014, all of the balance was properly insured.

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 \$14,765,333 and \$24,922,348 at December 31, 2015 and 2014, 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.

Assessments receivables – 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 debts expense.

Receivable from HHS – The Federal Pool program recognized federal revenue from HHS for reimbursement of claims paid that were in excess of premiums received from the plan participants and premium subsidies received from the Pool. The receivable from HHS was fully collected during 2015.

Receivable from and payable to third-party administrator – The third-party administrator of the Pool, Blue Cross Blue Shield of New Mexico (BCBSNM), initially pays for all claims and claims processing costs, and is reimbursed by the Pool. The third-party administrator also bills and receives all premiums on behalf of the Pool, which are then passed onto the Pool.

In exchange for all the administration services provided by the third-party administrator, the State Pool program pays an administration fee on a per member per month basis at a rate of \$73.21 and \$58.59 for 2015 and 2014, respectively.

NEW MEXICO MEDICAL INSURANCE POOL

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (continued)

In exchange for all the administration services provided by the third-party administrator, the Federal Pool program paid an administration fee on a per member per month basis at a rate of \$48.15 for 2014. In addition to the administrative fees above, the Federal Pool program paid for disease management services on a per member per month basis at a rate of \$2.80 for 2014. No administrative fees were paid in 2015.

All such amounts are settled between the Pool and the administrator on a monthly basis. The receivable from third-party administrator is considered fully collectible and, accordingly, does not include a provision for bad debts.

Estimated claims incurred but not reported – This liability represents benefits due policyholders and 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.

Net position – Net position of the Pool were \$522,155 as of December 31, 2015 and 2014. 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 2015 or 2014. 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, 2015 and 2014.

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 eliminated from the plan. Delinquent premium payments are recognized as revenue upon collection and are not accrued.

Grant revenue – Grant revenue received by the Pool is considered voluntary non-exchange revenue under governmental accounting standards. Accordingly, revenues are recorded when all underlying eligibility requirements have been met, which occurs when the Pool has incurred an allowable expenditure under the terms of the grant agreement.

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

Note 1 – Summary of Significant Accounting Policies (continued)

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 balance sheet, 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 balance sheet date and before financial statements are available to be issued.

The Pool has evaluated subsequent events through April 26, 2016, which is the date the financial statements were available to be issued.

Note 2 – Going Concern

The New Mexico Medical Insurance Pool (Pool) was formed as an unincorporated not-for-profit entity by the New Mexico State Legislature in 1987. The purpose of the Pool is to provide access to health insurance coverage to all residents of New Mexico who are denied adequate health insurance and are considered uninsurable.

The New Mexico Federal High Risk Pool program was created through the Patient Protection and Affordable Care Act as a temporary high risk health insurance pool program, and after several extensions, discontinued providing health insurance coverage April 30, 2014. The eighteen-month close-out period ended October 31, 2015.

Due to the enactment of Affordable Care Act, which includes the addition of a State Exchange and the restructuring of the Medicaid program, the Pool is slowly transitioning members to other coverage through the New Mexico Health Insurance Exchange (Exchange), Medicaid, and the commercial market.

In early 2015, the Board of Directors held a strategic planning retreat to determine the Pool’s long-term objectives and future role in the state’s insurance system, discuss options for working toward those objectives, and develop a strategy and action steps. Participants included members of the board, Pool staff, Administrative staff, and the Pool’s actuary.

There was consensus that the long-term objectives of the Pool should be to reduce the size of the Pool, but remain a safety net to the individuals without access to other insurance coverage; to depopulate the Pool over the next three years of those persons who could obtain other coverage; and keep the Pool open to act as a “safety net” for individuals that fall through gaps in the insurance system.

NEW MEXICO MEDICAL INSURANCE POOL NOTES TO FINANCIAL STATEMENTS

Note 2 – Going Concern (continued)

The strategy for accomplishing the long-term objectives include:

- The Pool will act as a conduit to the Exchange and private insurance by accepting individuals locked out during the closed enrollment period and then transitioning them to other coverage once open enrollment begins.
- Move individuals out of the Pool in phases in order to lessen the cost impact on the Exchange and the commercial market.
- Communicate that the Pool will be depopulated, but remain open to short-term enrollment for persons during closed enrollment periods.
- Develop a systematic approach to depopulating that does not discriminate in determining who stays and who is targeted for transitioning out of the Pool.
- Monitor the results of decisions, such as the cost impact of moving 3,000 out of the Pool.

Provisional decisions include:

- Decrease the current size of the Pool by one-third each year for the next three years.
- Develop a recertification process to determine if individuals are eligible to remain in the Pool, with recertification determined by birth date (1st year Jan-Apr; 2nd year May-Aug; 3rd year Sept-Dec).
- Communicate the phasing out schedule to carriers and seek feedback on the cost impact of the phasing, as well as seeking comments regarding the feasibility of replicating Exchange products.
- Permit certain exceptions to eligibility to allow some individual's coverage to remain in effect for an additional period of time.
- Upon implementation of the decisions, reassess the Pool's role and effectiveness.

Note 3 – Related Party Transactions with BCBSNM

Included in claims processing costs in the accompanying statements of revenues, expenses and changes in net position are \$3,157,647 and \$4,529,098 in expenses associated with administration services provided by BCBSNM, including claims processing, premium billing and collection, and related matters for the years ended December 31, 2015 and 2014, respectively.

In 2015, BCBS paid \$13,425,638 in interim billings. The amount due or to be refunded will be determined by the final assessment invoiced in May 2016. For 2014, the final assessments due and paid by BCBSNM were \$22,119,043.

NEW MEXICO MEDICAL INSURANCE POOL
NOTES TO FINANCIAL STATEMENTS

Note 3 – Related Party Transactions with BCBSNM (continued)

2014 Final Assessment-Actual	
Health Care Service Corp	\$ 8,797,908
HCSC Insurance Service Company	<u>13,321,135</u>
	<u>\$ 22,119,043</u>
2015 Interim Billing Paid (to be applied toward final assessment invoiced in May 2016)	
Health Care Service Corp	\$ 5,947,754
HCSC Insurance Service Company	<u>7,297,884</u>
	<u>\$ 13,245,638</u>

Note 4 – Line-of-Credit

The Pool had a \$2,000,000 line-of-credit from a local financial institution, expiring September 28, 2016. Interest, payable monthly, is variable at the bank's prime rate (4% at December 31, 2015). There were no balances outstanding as of December 31, 2015 or 2014, and there were no draws against the line-of-credit in either 2015 or 2014.

Note 5 – Liability for Claims and Claim Adjustment Expenses

The Pool programs 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, 2015 and 2014 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 3 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 amount provided.

NEW MEXICO MEDICAL INSURANCE POOL
NOTES TO FINANCIAL STATEMENTS

Note 5 – Liability for Claims and Claim Adjustment Expenses (continued)

Changes in reserves for claims and claims processing costs were as follows for the years ended December 31:

	<u>2015</u>	<u>2014</u>
Liability for claims and claims processing costs, beginning of year	\$ 21,014,876	\$ 32,446,374
Incurred claims and claims processing costs		
Prior years (refunds) claims	(22,203)	2,675,775
Current year claims	<u>75,107,430</u>	<u>124,151,361</u>
	<u>75,085,227</u>	<u>126,827,136</u>
Claims paid		
Prior years claims	20,992,673	35,122,149
Current year claims	<u>60,948,996</u>	<u>103,136,485</u>
	<u>81,941,669</u>	<u>138,258,634</u>
Liability for claims and claims processing costs, end of year	<u>\$ 14,158,434</u>	<u>\$ 21,014,876</u>

Incurred claims and claim adjustment expenses for the Pool program for the years ended December 31, 2015 and 2014 includes \$22,203 in unfavorable and \$2,675,775 in favorable, respectively, development on prior years' claims.

SUPPLEMENTAL INFORMATION

NEW MEXICO MEDICAL INSURANCE POOL
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2015

ASSETS

	New Mexico Medical Insurance Pool Program	New Mexico Federal High Risk Pool Program	Eliminations	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash	\$ 15,115,333	\$ -	\$ -	\$ 15,115,333
Assessments receivable	<u>1,508,673</u>	<u>-</u>	<u>-</u>	<u>1,508,673</u>
 Total assets	 <u>\$ 16,624,006</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 16,624,006</u>

LIABILITIES AND NET POSITION

Estimated claims incurred but not reported	\$ 6,417,000	\$ -	\$ -	\$ 6,417,000
Accrued claims	7,205,434	-	-	7,205,434
Accrued claims processing costs	536,000	-	-	536,000
Assessment refunds payable	1,363,053	-	-	1,363,053
Unearned premiums and subsidized assessments	255,169	-	-	255,169
Payable to third-party administrator	<u>325,195</u>	<u>-</u>	<u>-</u>	<u>325,195</u>
 Total liabilities	 16,101,851	 -	 -	 16,101,851
 Net position	 <u>522,155</u>	 <u>-</u>	 <u>-</u>	 <u>522,155</u>
 Total liabilities and net position	 <u>\$ 16,624,006</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 16,624,006</u>

NEW MEXICO MEDICAL INSURANCE POOL
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2014

ASSETS

	New Mexico Medical Insurance Pool Program	New Mexico Federal High Risk Pool Program	Eliminations	Total
Cash	\$ 25,270,773	\$ 1,000	\$ -	\$ 25,271,773
Assessments receivable	4,829,183	-	-	4,829,183
Receivable from third-party administrator	1,997,746	3,912	-	2,001,658
HHS receivable	-	30,600	-	30,600
Due from NMMIP	1,693	-	(1,693)	-
	<u>32,099,395</u>	<u>35,512</u>	<u>(1,693)</u>	<u>32,133,214</u>
Total assets	<u>\$ 32,099,395</u>	<u>\$ 35,512</u>	<u>\$ (1,693)</u>	<u>\$ 32,133,214</u>

LIABILITIES AND NET POSITION

Estimated claims incurred but not reported	\$ 11,826,000	\$ -	\$ -	\$ 11,826,000
Accrued claims	8,393,876	-	-	8,393,876
Accrued claims processing costs	795,000	-	-	795,000
Assessment refunds payable	9,410,187	-	-	9,410,187
Unearned premiums and subsidized assessments	363,640	-	-	363,640
Payable to third-party administrator	787,362	29,908	-	817,270
Unearned HHS revenue	-	3,911	-	3,911
Accounts payable	1,175	-	-	1,175
Due to NMFHRP	-	1,693	(1,693)	-
	<u>31,577,240</u>	<u>35,512</u>	<u>(1,693)</u>	<u>31,611,059</u>
Total liabilities	<u>31,577,240</u>	<u>35,512</u>	<u>(1,693)</u>	<u>31,611,059</u>
Net position	<u>522,155</u>	<u>-</u>	<u>-</u>	<u>522,155</u>
Total liabilities and net position	<u>\$ 32,099,395</u>	<u>\$ 35,512</u>	<u>\$ (1,693)</u>	<u>\$ 32,133,214</u>

NEW MEXICO MEDICAL INSURANCE POOL
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
DECEMBER 31, 2015

	New Mexico Medical Insurance Pool Program	New Mexico Federal High Risk Pool Program	Eliminations	Total
OPERATING REVENUES				
Premiums (refunds)	\$ 14,531,162	\$ (7,295)	\$ 4,000	\$ 14,527,867
Assessments	61,214,951	-	-	61,214,951
Federal contracts	7,782	7,782	(7,782)	7,782
Initial assessments	3,000	-	-	3,000
Grant income	826,777	-	-	826,777
Interest income	4,880	-	-	4,880
Other income	1,000	-	-	1,000
Total operating revenues	76,589,552	487	(3,782)	76,586,257
OPERATING EXPENSES				
Claims (refunds)	72,186,580	(22,303)	-	72,164,277
Claims processing costs	2,898,647	-	-	2,898,647
General and administrative	1,504,325	22,790	(3,782)	1,523,333
Total operating expenses	76,589,552	487	(3,782)	76,586,257
CHANGE IN NET POSITION	-	-	-	-
NET POSITION at beginning of year	522,155	-	-	522,155
NET POSITION at end of year	\$ 522,155	\$ -	\$ -	\$ 522,155

**NEW MEXICO MEDICAL INSURANCE POOL
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
DECEMBER 31, 2014**

	New Mexico Medical Insurance Pool Program	New Mexico Federal High Risk Pool Program	Eliminations	Total
OPERATING REVENUES				
Premiums	\$ 22,703,627	\$ 264,261	\$ -	\$ 22,967,888
Assessments	99,108,661	294,949	(294,949)	99,108,661
Federal contracts	-	4,753,655	-	4,753,655
Initial assessments	8,000	-	-	8,000
Grant income	1,607,017	-	-	1,607,017
Interest income	7,832	-	-	7,832
Other income	1,808	-	-	1,808
Total operating revenues	123,436,945	5,312,865	(294,949)	128,454,861
OPERATING EXPENSES				
Claims	117,864,183	4,969,855	-	122,834,038
Claims processing costs	3,882,333	110,765	-	3,993,098
General and administrative	1,690,429	232,245	(294,949)	1,627,725
Total operating expenses	123,436,945	5,312,865	(294,949)	128,454,861
CHANGE IN NET POSITION	-	-	-	-
NET POSITION at beginning of year	522,155	-	-	522,155
NET POSITION at end of year	\$ 522,155	\$ -	\$ -	\$ 522,155

**NEW MEXICO MEDICAL INSURANCE POOL
CLAIMS DEVELOPMENT INFORMATION
REQUIRED SUPPLEMENTARY INFORMATION**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Net Required Contributions and Investment Income	31,084,026	41,519,818	65,014,858	92,058,588	110,010,944	135,788,722	154,747,897	178,932,311	126,846,036	75,758,480
Unallocated Expenses (G&A)	543,484	662,161	812,118	827,569	947,842	1,399,242	1,835,043	1,480,827	1,627,725	1,523,333
Estimated Claims and Expenses										
End of Policy Year	30,706,234	44,695,967	66,316,115	93,359,998	110,483,903	136,059,337	155,734,708	177,677,164	124,151,361	75,107,430
Paid (cumulative) as of:										
End of Policy Year	25,028,031	36,977,062	49,639,432	73,546,702	91,011,250	113,480,779	132,184,776	147,290,596	102,535,643	66,742,861
One Year Later	29,391,364	43,453,791	65,737,872	93,490,399	111,240,876	136,470,281	158,786,102	178,705,868	117,439,693	
Two Years Later	29,354,130	43,434,737	65,494,656	93,001,542	111,797,927	143,430,960	159,590,965	178,336,433		
Three Years Later	29,355,510	43,434,807	65,494,656	93,099,841	111,797,963	143,430,960	159,594,486			
Four Years Later	29,355,510	43,434,807	65,494,656	93,099,841	111,797,963	143,430,960				
Five Years Later	29,355,510	43,434,807	65,494,656	93,099,841	111,797,963					
Six Years Later	29,355,510	43,434,807	65,494,656	93,099,841						
Seven Years Later	29,355,510	43,434,807	65,494,656							
Eight Years Later	29,355,510	43,434,807								
Nine Years Later	29,355,510									
Ten Years Later										
Reestimate incurred Claims and Expense										
End of Policy Year	30,706,234	44,695,967	66,316,115	93,359,998	110,483,903	136,059,337	155,734,708	177,677,164	124,151,361	75,107,430
One Year Later	29,394,275	43,457,753	65,737,872	93,654,515	111,242,560	136,482,063	158,852,909	178,806,539	117,440,671	
Two Years Later	29,354,130	43,434,737	65,494,656	93,001,542	111,797,927	143,430,960	159,590,965	178,336,433		
Three Years Later	29,355,510	43,434,807	65,494,656	93,099,841	111,797,963	143,430,960	159,594,486			
Four Years Later	29,355,510	43,434,807	65,494,656	93,099,841	111,797,963	143,430,960				
Five Years Later	29,355,510	43,434,807	65,494,656	93,099,841	111,797,963					
Six Years Later	29,355,510	43,434,807	65,494,656	93,099,841						
Seven Years Later	29,355,510	43,434,807	65,494,656							
Eight Years Later	29,355,510	43,434,807								
Nine Years Later	29,355,510									
Ten Years Later										

**NEW MEXICO MEDICAL INSURANCE POOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2015**

Federal Grantor/ Program Title	Federal CFDA Number	Federal Program or Award Amount
Department of Health and Human Services		
Grants to States for Operation of Qualified High-Risk Pools	93.780	\$ <u>826,777</u>
Total Department of Health and Human Services		<u>826,777</u>
Total Federal Expenditures		<u>\$ 826,777</u>

NEW MEXICO MEDICAL INSURANCE POOL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2015

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the New Mexico Medical Insurance Pool (the "Pool") under programs of the federal government for the year ended December 31, 2015. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Pool, it is not intended to and does not present the financial position, changes in net position or cash flows of the Pool.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Entity has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. No indirect costs are charged to the grant.

**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**

Board of Directors
New Mexico Medical Insurance Pool
Albuquerque, New Mexico

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, which comprise the statements of net position as of December 31, 2015, and the related statements of revenues, expenses and changes in position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 26, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the New Mexico Medical Insurance Pool's internal control over financial reporting (internal control) to determine the 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 New Mexico Medical Insurance Pool's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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. 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.

Board of Directors
New Mexico Medical Insurance Pool
Albuquerque, New Mexico

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 determination of financial statement amounts. 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 result 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
April 26, 2016

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
New Mexico Medical Insurance Pool
Albuquerque, New Mexico

Report on Compliance for the Major Federal Program

We have audited the New Mexico Medical Insurance Pool's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on The New Mexico Medical Insurance Pool's major federal program for the year ended December 31, 2015. The New Mexico Medical Insurance Pool's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the New Mexico Medical Insurance Pool's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about New Mexico Medical Insurance Pool's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the New Mexico Medical Insurance Pool's compliance.

Board of Directors
New Mexico Medical Insurance Pool

Opinion on the Major Federal Program

In our opinion, the New Mexico Medical Insurance Pool complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2015.

Report on Internal Control Over Compliance

Management of the New Mexico Medical Insurance Pool is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The New Mexico Medical Insurance Pool's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The New Mexico Medical Insurance Pool's internal control over compliance.

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

Board of Directors
New Mexico Medical Insurance Pool

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mess Adams LLP

Albuquerque, New Mexico
April 26, 2016

**NEW MEXICO MEDICAL INSURANCE POOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2015**

A. Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over federal major program:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of Major Federal Programs

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor’s Report Issued</i>
93.780	Grants to States for Operation of Qualified High-Risk Pool	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes No

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

**NEW MEXICO MEDICAL INSURANCE POOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2015**

Prior audit report date: May 15, 2015

Period ended on prior audit report: December 31, 2014

Independent auditor of prior period audit report: Moss Adams LLP

Prior Finding

2014-001 Premium Reduction

CLEARED