I, John Franchini, Superintendent of Insurance of the State of New Mexico, do hereby certify that the attached Report of Examination for the period ending December 31, 2018 on:

New Mexico Medical Insurance Pool
1223 St. Francis Drive, Ste. B
Santa Fe, NM 87505

Docket Number #19-00019-COMP-EX

Was recently completed by Mr. Daniel R. McBay, Contract Examiner with the Office of Superintendent of Insurance.

Due consideration has been given to the comments of the Examiner regarding the financial condition and business affairs as reflected in this report.

The report as of this date is hereby adopted, filed and made an official record of the Office of Superintendent of Insurance.

IN WITNESS WHEREOF, I have hereunto set my official seal on the 10th day of September A.D. 2019

Superintendent of Insurance
REPORT OF EXAMINATION
OF
NEW MEXICO MEDICAL INSURANCE POOL

Santa Fe, New Mexico
as of
December 31, 2018

BY THE
NEW MEXICO OFFICE OF SUPERINTENDENT OF INSURANCE
**TABLE OF CONTENTS**

- LETTER OF TRANSMITTAL ........................................................................................................... 1
- SCOPE OF EXAMINATION ........................................................................................................... 1
- SUMMARY OF SIGNIFICANT FINDINGS
  - CURRENT EXAMINATION FINDINGS ............................................................................... 1
  - PRIOR EXAMINATION FINDINGS ......................................................................................... 1
- COMPANY HISTORY ..................................................................................................................... 3
- TERRITORY AND PLAN OF OPERATIONS ...................................................................................... 3
- CORPORATE RECORDS .............................................................................................................. 4
  - CONFLICT OF INTEREST ........................................................................................................ 4
- MANAGEMENT AND CONTROL ..................................................................................................... 4
  - PLAN OF OPERATIONS .......................................................................................................... 4
  - DIRECTORS .......................................................................................................................... 4
  - OFFICERS ............................................................................................................................ 5
  - ADMINISTRATIVE SERVICES AGREEMENTS ....................................................................... 5
- ACCOUNTS AND RECORDS .......................................................................................................... 7
  - INDEPENDENT AUDITOR AGREEMENT ............................................................................. 7
- INFORMATION TECHNOLOGY .................................................................................................... 7
- ACTUARIAL ................................................................................................................................ 8
- FINANCIAL STATEMENTS .......................................................................................................... 9
  - ASSETS, LIABILITIES, AND NET POSITION ......................................................................... 9
  - STATEMENT OF REVENUE, EXPENSES, AND CHANGE IN NET POSITION .................... 10
- COMMENTS ON FINANCIAL STATEMENTS ................................................................................ 11
  - LIABILITIES .......................................................................................................................... 11
  - CLAIMS UNPAID AND UNPAID CLAIMS ADJUSTMENT EXPENSE .................................... 11
  - NET POSITION ..................................................................................................................... 11
- SUBSEQUENT EVENTS ................................................................................................................. 11
- SUMMARY OF RECOMMENDATIONS ........................................................................................... 11
August 1, 2019

Honorable John Franchini
Superintendent of Insurance
Office of Superintendent of Insurance
State of New Mexico
1120 Paseo De Peralta
Santa Fe, New Mexico

Dear Superintendent:

Pursuant to your instructions and pursuant to Order for Examination Docket # 19-00019-COMP-EX, and in compliance with New Mexico Statues, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of December 31, 2018, of the financial condition and corporate affairs of

New Mexico Medical Insurance Pool
1223 St. Francis Drive, Ste. B.
Santa Fe, NM 87505

hereinafter referred to as the “Pool” or “NMMIP.” Such report of examination is herewith respectfully submitted.
SCOPE OF EXAMINATION

This examination is conducted under the statutory authority of Section NMSA 1978 §59A-4-5. The Examination covers the period January 1, 2016 through December 31, 2018. The purpose of the examination is to determine compliance of the Pool with Article 54 Medical Insurance Pool, specifically Sections 59A-54-1 through 59A-54-21. Section 59A-54-8 Examination notes that, “the Pool shall be subject to and responsible for examination by the superintendent of insurance.”

Section 59A-54-5 Plan of Operation outlines the procedures and tasks that the NMMIP Board of Directors (Board) is required to perform.

SUMMARY OF SIGNIFICANT FINDINGS

Current Examination Findings

There are no current examination findings.

Prior Examination Findings

As part of the prior examination, there were four compliance issues noted in the Report of Examination. These issues are noted below along with the resolution and status as of this examination.

Annual Meeting

The New Mexico Title 13 Chapter 10.10.10 Annual Membership Meeting calls for an evaluation of the administrator’s performance as follows: “An Annual Meeting of the Board shall be held no later than March 31 of each year, at such time and place as the Board may determine. At each annual meeting the Board shall: “E. review and evaluate the performance of the Pool administrator.” The Annual Meeting in 2014 did not take place until May 22, 2014.

The Board held an Annual Meeting no later than March 31 of each year during the examination period in compliance with New Mexico Administrative Code Title 13 Chapter 10 Part 10.10.10 Section E.
Annual Report
The New Mexico Administrative Code Title 13 Chapter 10 Part 13.10.10.17 section B states that, "B. The Board shall make an Annual Report to the superintendent not later than March 1 of each year as required by the Act. The Annual Report shall include a financial report for the preceding calendar year in a form approved by the superintendent and a review of the activities of the Pool during the preceding calendar year."

The Board provided an Annual report to the superintendent not later than March 1 of each year of the examination period in compliance with New Mexico Administrative Code Title 13 Chapter 10 Part 10.10.17.

Audited Financial Report
The New Mexico Insurance Code 59A-54-8 Examination: requires that no later than March 1 of each year, the Board shall submit an audited financial report for the preceding calendar year. OSI directed the Pool to submit an audited financial report as of December 31 of the preceding calendar year prepared by a Certified Public Accountant on or before June 1 rather than the March 1 deadline.

The Board submitted an audited financial report prepared by a Certified Public Accountant as of December 31 of the preceding year on or before June 1 for each year during the examination period as requested by OSI.

Code of Conduct
During the course of the interviews with the Board of Directors, the administrator and the Executive Director it was noted that the NMMIP does not have a written code of conduct or conflict of interest questionnaires.

The Board approved the adoption of a written code of conduct and annual signed conflict of interest statements during the examination period which was implemented in 2018.
COMPANY HISTORY

The Medical Insurance Pool Act created the NMMIP as a “non-profit entity” and the Board is a “governmental entity for purposes of the Tort Claims Act.” The structure and authority of the governing Board is defined in the authorizing statute. Significant changes in operations, lines of business or governance necessitates a statutory change.

NMMIP provides access to health insurance coverage to residents of New Mexico denied health insurance and are considered uninsurable, or are otherwise ineligible for any other medical insurance plan (such as New Mexico resident undocumented immigrants).

As a result of the Affordable Care Act (ACA), there have been significant changes in the health insurance environment in which the NMMIP operates. Approximately 60% of the members of the Pool have transitioned out of this program. While it was envisioned that members would move from the Pool to an ACA plan, some participants have remained in the Pool as a result of concerns with continuity of care and/or availability of on-going care as well as potential stop-gap coverage while awaiting the next ACA open enrollment period.

The current enrollment approach, is to educate, encourage and assist participants to consider, and enroll in, other options during Open Enrollment periods when they are available; otherwise, when found eligible, they are enrolled in the Pool.

TERRITORY AND PLAN OF OPERATIONS

The Pool was created by the New Mexico State Legislature in 1987. The Pool is a non-profit program that offers health care policies to eligible residents of New Mexico who are denied coverage in the private or public markets as well as individuals eligible under the Federal Health Insurance Portability and Accountability Act of 1996. It is funded through premiums from the enrollees, assessments to health insurance companies, a federal assistance grant, and a premium tax credit from the state. Membership totaled 2,453 as of December 31, 2018 and represent members for every county within the state.
Conflict of Interest
The Directors and officers listed in the Management and Control section of this Report of Examination have reviewed and signed Conflict of Interest statements as of December 31, 2018.

MANAGEMENT AND CONTROL

Plan of Operations
NMSA1978 § 59A-54-4 D provides that the Board shall submit a plan of operations to the superintendent and any amendments to its necessary or suitable to assure the fair, reasonable and equitable administration of the Pool.

Directors
NMSA 1978 § 59A-54-4 C provides that the Pool shall operate subject to the supervision and approval of the Board. The Board shall consist of the superintendent, who shall serve as the chairman of the Board, four (4) members appointed by the members of the Pool and six (6) members appointed by the superintendent. The members appointed by the superintendent shall consist of four (4) citizens who are not professionally affiliated with an insurer, at least two (2) of whom shall be individuals who are insured by the Pool or who are parent, guardian, relative or spouse of such an individual. The fifth appointment shall be a representative of a statewide health planning agency. The sixth appointment shall be a representative of the medical community. The appointed Board members will be elected annually by the general membership of the Pool for a staggered term of four years scheduled to expire on June 30 of each year.

The following is a listing of persons serving as Directors at December 31, 2018, and their principal occupations as of that date:

<table>
<thead>
<tr>
<th>Name and Address</th>
<th>Principal Occupation</th>
</tr>
</thead>
<tbody>
<tr>
<td>John G. Franchini (Chairman)</td>
<td>Superintendent</td>
</tr>
<tr>
<td>Santa Fe, New Mexico</td>
<td>New Mexico Office of Superintendent of Insurance</td>
</tr>
<tr>
<td>Teresa Gomez (Vice Chairman)</td>
<td>President/Chief Executive Officer</td>
</tr>
<tr>
<td>Albuquerque, New Mexico</td>
<td>Futures for Children</td>
</tr>
<tr>
<td>Jeannine Daniels</td>
<td>Retired</td>
</tr>
<tr>
<td>Albuquerque, New Mexico</td>
<td></td>
</tr>
</tbody>
</table>

4
Officers

The Plan of Operations states that the elected officers of the Pool shall consist of a Chairman of the Board, a Vice-Chairman, a Secretary, a Treasurer, and such other officers as the Board may decide. Each of the officers will be elected annually by the Board at its annual meeting. An officer, except the Chairman, may be removed or may resign. One person may hold more than one office, but no person may be both Chairman of the Board and Secretary.

The following is a list of key officers and their respective titles as of December 31, 2018:

<table>
<thead>
<tr>
<th>Name</th>
<th>Office</th>
</tr>
</thead>
<tbody>
<tr>
<td>John G. Franchini</td>
<td>Chairman of the Board</td>
</tr>
<tr>
<td>Teresa Gomez</td>
<td>Vice Chairman</td>
</tr>
<tr>
<td>Jeannine Daniels</td>
<td>Secretary and Treasurer</td>
</tr>
</tbody>
</table>

Administrative Services Agreements

NMSA 1978 § 59A-54-5 states that the Plan of Operations to establish procedures for the handling and accounting for the assets and money of the Pool. As such the Plan of Operations directs the
Board to employ such persons, firms, or corporations to perform such administrative functions as are necessary for the Board’s performance of the duties imposed on the Pool. The Board developed, reviewed and approved agreements with such administrative functions as it deemed necessary including attorneys at law, actuaries, accountants, claims personnel, and other specialists.

**Plan Administration Agreement**
Effective January 1, 2016, the Pool and Benefit Management, LLC (hereinafter referred to as BML or as the “Administrator”) entered into a Plan Administration Agreement whereby BML provides comprehensive administrative and management services including, but not limited to, Board meeting attendance; printing, assembly, inventory, and distribution of policies, amendments, schedules, claim forms, identification cards, and other related material; paying agents’ referral fees and premium refunds; maintenance of a computerized eligibility database; premium administration; eligibility verification and enrollment, claims administration / cost containment; prescription drug networks; general ledger / financial statement preparation; banking; insurer assessments; and, internal and independent audits. The Pool paid administrative fees of $2,396,245 in 2018 under the terms of this agreement.

**Executive Services Agreement**
Effective January 1, 2017, the Pool and Delta Consulting Group, Inc. (“Delta”) entered into an Executive Services Agreement whereby Delta provides Executive Director duties to enhance program efficiency, performance, and accountability. Professional services provided include, but are not limited to, a) developing and securing roles for the Pool in the healthcare system; b) assisting applicants and insured as needed; c) act as public and legislative liaison; d) assist the Board as needed; e) contracting and auditing; and f) program evaluation.

**Actuarial Services Agreement**
Effective February 15, 2017, the Pool and Leif Associates, Inc. (“Leif”) entered into an Actuarial Services Agreement whereby Leif provides actuarial services related to the premium rate development, claim reserve estimates, product development, Board meeting attendance, and other miscellaneous assignments as needed.
**Professional Services Agreement**

Effective January 1, 2017, the Pool and Cuddy & McCarthy, LLP ("C&M") entered into a Professional Services Agreement whereby C&M perform legal work and services normally performed by in-house counsel of a corporation, as requested by the Board and including, but not limited to: advice and counsel as to the NMMIP Act, New Mexico Insurance Code, New Mexico Procurement Code, the Patient Protection and Affordable Care Act, the Health Insurance Portability and Accountability Act, Medicare statutes and regulations, assistance and advocacy in NMMIP dealings with the Centers for Medicare & Medicaid Services, Center for Consumer Information and Insurance Oversight, and other state and federal agencies.

**Lobbying Services Agreement**

Effective December 1, 2015, the Pool and John W. Anderson, Attorney at Law ("Mr. Anderson") entered into a Lobbying Services Agreement whereby Mr. Anderson provides legislative lobbying services including, but not limited to: a) counsel to the Pool in the formulation of a legislative strategy; b) represent the Pool and advocate its legislative goals in the New Mexico State Legislature and executive branch; c) timely notice of legislation that may impact the Pool; and d) inform the Pool of any revisions or amendments to legislation affecting the Pool.

**ACCOUNTS AND RECORDS**

**Independent Auditor Agreement**

Effective January 1, 2018, the Pool and MossAdams entered into an Independent Auditor Agreement whereby MossAdams performed an independent audit of the Pool in accordance with accounting principles generally accepted in the United States of America and standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**INFORMATION TECHNOLOGY**

A review was conducted of the Information Technology General Controls (ITGC) of the Pool and its Administrator BML. The Pool and BML have controls, safeguards, and procedures that protect the integrity of the Pool’s computer information.
ACTUARIAL

A review was conducted of the actuarial determined account balances. This review noted no issues, and found the methodologies employed and documented in the Actuarial Memoranda supporting the 2017 and 2018 rates to be reasonable. In particular, it was noted that the rates complied with the "standard risk rates" requirements of NMSA 1978 § 59A-54-19.
# Financial Statements

## New Mexico Medical Insurance Pool

### Assets, Liabilities, and Net Position

#### December 31, 2018

**Assets**

**Current Assets**
- Cash: $23,537,057
- Premium receivable: 461,800
- Pharmacy rebate receivable: 600,000
- Assessments receivable: 248,447

Total current assets: $24,847,304

**Liabilities**

**Current Liabilities**
- Estimated claim incurred by not reported: 14,688,000
- Accrued claims: 560,000
- Accrued claims processing costs: 532,000
- Accrued expenses: 81,625
- Assessment refunds payable: 7,661,252
- Unearned premiums: 618,318
- Payable to third-party administrator: 183,954

Total current liabilities: 24,325,149

**Net Position**

**Unrestricted**
- 522,155

Total net position: $522,155
## NEW MEXICO MEDICAL INSURANCE POOL
### Statement of Revenue, Expenses, and Change in Net Position
#### December 31, 2018

<table>
<thead>
<tr>
<th>OPERATING REVENUES</th>
<th>Per Examination</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premiums</td>
<td>$10,937,326</td>
</tr>
<tr>
<td>Assessments</td>
<td>70,816,616</td>
</tr>
<tr>
<td>Initial assessments</td>
<td>10,500</td>
</tr>
<tr>
<td>Interest income</td>
<td>35,406</td>
</tr>
<tr>
<td><strong>Total operating revenues</strong></td>
<td><strong>81,799,848</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OPERATING EXPENSES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Claims</td>
<td>78,379,156</td>
</tr>
<tr>
<td>Claims processing costs</td>
<td>2,389,245</td>
</tr>
<tr>
<td>General and administrative</td>
<td>1,031,447</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td><strong>81,799,848</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CHANGE IN NET POSITION</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>NET POSITION at beginning of year</td>
<td>522,155</td>
</tr>
<tr>
<td>NET POSITION at end of year</td>
<td><strong>$522,155</strong></td>
</tr>
</tbody>
</table>
COMMENTS ON FINANCIAL STATEMENTS

Liabilities

Current liabilities were primarily composed of Assessment Refunds Payable which totaled $7.7 million which resulted as assessments for the fiscal year exceeded actual losses and administrative expenses of the Pool for 2018. Excess assessments are refunded, and recorded as accrued assessment refunds.

Claims Unpaid and Unpaid Claims Adjustment Expense

Liabilities representing benefits due to policyholders and to providers for services provided but not yet recorded or paid are actuarially determined estimates based upon historical experience and subjective judgments, and is based on the development method. Total claims unpaid and unpaid claims adjustment expense increased by approximately $2.2 million from the prior year. The change was primarily as a result of the timing of claims payments.

Net Position

Net position represents the difference between all other elements in the statement of net position. The net position of the Pool remained unchanged from the prior year.

SUBSEQUENT EVENTS

No events subsequent to the examination report date were noted.

SUMMARY OF RECOMMENDATIONS

There are no recommendations as a result of the examination.
Respectfully submitted,

[Signature]

DANIEL P. MCBAY
Examiner-in-Charge
New Mexico Office of Superintendent of Insurance