DECEMBER 31, 1999 and 1998

FINANCIAL STATEMENTS

d/b/a LOUISIANA HEALTH INSURANCE ASSOCIATION

LOUISIANA HIGH RISK HEALTH POOL, INC.



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Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date JUL 2 6 2000#



DECEMBER 31, 1999 and 1998

FINANCIAL STATEMENTS

d/b/a LOUISIANA HEALTH INSURANCE ASSOCIATION

LOUISIANA HIGH RISK HEALTH POOL, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors Louisiana High Risk Health Pool, Inc. d/b/a Louisiana Health Insurance Association Baton Rouge, Louisiana

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We have audited the accompanying statements of financial position of Louisiana High Risk Health Pool, Inc. (a not-forprofit organization) d/b/a Louisiana Health Insurance Association as of December 31, 1999 and 1998, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and *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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana High Risk Health Pool, Inc., d/b/a Louisiana Health Insurance Association, as of December 31, 1999 and 1998, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 16, 2000, on our consideration of the Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts.

Postlethwaite ; Nettewille

Baton Rouge, Louisiana June 16, 2000

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors Louisiana High Risk Health Pool, Inc. d/b/a the Louisiana Health Insurance Association Baton Rouge, Louisiana

We have audited the accompanying financial statements of Louisiana High Risk Health Pool, Inc. (a not-for-profit organization) d/b/a the Louisiana Health Insurance Association (the Association) as of and for the year ended December 31, 1999, and have issued our report thereon dated June 16, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

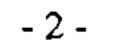
Compliance

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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 the objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Association's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Association's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item B-1.

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that could be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We do not believe that the lack of segregation of duties described in the accompanying schedule of findings and questioned costs is a material weakness.

This report is intended solely for the information and use of the finance committee and management of the Louisiana Health Insurance Association, the Commissioner of Insurance of the State of Louisiana, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and, and its distribution is not limited.

Postlethwaite : Netteville

Baton Rouge, Louisiana June 16, 2000



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STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 1999 AND 1998

<u>ASSETS</u>

			1998		
Investments Cash and cash equivalents Accrued interest receivable	\$	16,138,233 111,631 239,616	\$	14,643,924 165,452 164,133	
Property and equipment (net of accumulated depreciation and amortization of \$62,477 and \$54,050, respectively) Total assets	\$	20,332 16,509,812	\$	19,926 14,993,435	

LIABILITIES AND NET ASSETS

LIABILITIES			
Claims payable	\$	3,115,750	\$ 1,273,595
Accounts payable		20,686	-
Payroll taxes payable		929	961
Unearned revenues			 4,907
Total liabilities		3,137,365	 1,279,463
NET ACCETC			
NET ASSETS			
Unrestricted			
Designated by the Board of Directors for the			
capital and surplus requirements of Louisiana			
insurance laws and regulations		3,000,000	3,000,000
Undesignated		10,372,447	 10,713,972
Total unrestricted net assets		13,372,447	 13,713,972
	-		

Total liabilities and net assets

-

The accompanying notes are an integral part of these financial statements.



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\$ 16,509,812 **\$** 14,993,435

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STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 1999 AND 1998

	1999			1998		
<u>REVENUES</u>						
State appropriations	\$	2,000,000	\$	2,000,000		
Mandated service charges		579,836		453,154		
Insurance company assessments		2,149,229		1,061,006		
Premiums		3,090,712		2,400,161		
Investment revenues		277,863		1,089,077		
Net gain (loss) on sales of investments		(3,866)		(9,594)		
		8,093,774		6,993,804		
<u>CLAIMS EXPENSES</u>						
Claims administration		141,085		97,492		
Claims payments		5,397,492		5,531,465		
Net activity in incurred but not reported claims						
liability and reported but unpaid claims liability		1,842,155		(29,355)		
		7,380,732		5,599,602		
OPERATING EXPENSES						
Advertising		3,586		54,102		
Agent commissions		1,464		-		
Bank and trustee fees		40,332		19,864		
Computer services		89,416		79,869		
Consultant - actuary		34,783		20,892		
Copy usage and supplies		13,257		18,814		
Depreciation and amortization		8,427		8,632		
Insurance		19,889		24,686		
Maintenance		4,308		3,166		
Miscellaneous expenses		6,347		4,733		
Office supplies		18,898		7,599		
Payroll taxes		17,783		14,729		
Postage		18,843		16,754		
Professional education		3,045		596		
Professional fees		109,004		135,930		
Rent		27,012		25,685		
Salaries and wages		258,151		188,724		
Subscriptions and dues		1,938		2,054		
Telephone and utilities		15,656		11,863		
Travel expenses		4,025		6,397		
Uncollectible accounts	 	358,403		33,896		



The accompanying notes are an integral part of these financial statements.



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STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 1999 AND 1998

	 1999	1998		
<u>CHANGE IN NET ASSETS</u>	\$ (341,525)	\$	715,217	
Net assets - beginning of year	 13,713,972		12,998,755	
Net assets - end of year, including the \$3,000,000 designated by the Board of Directors for the capital and surplus requirements of Louisiana insurance laws and regulations	\$ 13,372,447	\$	13,713,972	

Additional disclosures of claims activity:

Claims payable - beginning of year	\$ 1,273,595	\$	1,302,950
Net activity in incurred but not reported claims			
liability and reported but unpaid claims liability	 1,842,155		(29,355)
Claims payable - end of year	\$ 3,115,750		1,273,595

The accompanying notes are an integral part of these financial statements.

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LOUISIANA HIGH RISK HEALTH POOL, INC. d/b/a LOUISIANA HEALTH INSURANCE ASSOCIATION BATON ROUGE, LOUISIANA

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 1999 AND 1998

	 1999	1998		
CASH FLOWS FROM OPERATING ACTIVITIES				
State appropriations received	\$ 2,000,000	\$	2,000,000	
Mandated service charges received	579,836		453,154	
Insurance company assessments received	2,144,322		1,065,913	
Premiums received	3,090,712		2,400,161	
Investment interest received	878,069		890,014	
Claims paid for participants	(5,538,577)		(5,628,957)	
Cash paid to employees and suppliers	 (1,025,486)		(670,306)	
Net cash provided by operating activities	 2,128,876		509,979	

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of property and equipment	(8,833)	(5,602)
Proceeds from sales and maturities of investments	1,936,974	2,408,848
Purchases of investments	(4,110,838)	(2,787,395)
Net cash used in investment activities	(2,182,697)	(384,149)
Net increase (decrease) in cash and cash equivalents	(53,821)	125,830
Cash and cash equivalents - beginning of year	165,452	39,622
Cash and cash equivalents - end of year	\$ 111,631	<u>\$ 165,452</u>

The accompanying notes are an integral part of these financial statements.

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STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 1999 AND 1998

	1999			1998	
Reconciliation of change in net assets to net cash provided by operating activities					
Change in net assets	\$	(341,525)	\$	715,217	
Adjustments to reconcile change in net assets					
to net cash provided by operating activities:					
Depreciation and amortization		8,427		8,632	
Net change in unrealized (gains) losses on investments		631,646		(221,322)	
Net loss on sales of investments		3,866		9,594	
Net amortization of premiums and discounts		44,043		8,381	
Decrease (increase) in accrued interest receivable		(75,483)		13,878	
Increase (decrease) in claims payable		1,842,155		(29,355)	
Increase in accounts payable and other accruals		20,654		47	
Increase (decrease) in uncarned revenues		(4,907)		4,907	
Net cash provided by operating activities	\$	2,128,876	\$	509,979	

The accompanying notes are an integral part of these financial statements.



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NOTES TO THE FINANCIAL STATEMENTS

1. Significant Accounting Policies

The accounting and reporting policies of Louisiana High Risk Health Pool, Inc., d/b/a Louisiana Health Insurance Association (the Association), conform to generally accepted accounting principles and the prevailing practices within the insurance industry. A summary of significant policies is as follows:

Organization

Louisiana High Risk Health Pool, Inc., d/b/a Louisiana Health Insurance Association, is a not-for-profit organization that was originally formed under Louisiana Legislative Act No. 131 of 1990 to provide a mechanism which would insure the availability of health and accident insurance coverage to those citizens of Louisiana who, because of health conditions, could not otherwise secure insurance coverage (non-federally defined eligible individuals). The Association's general objectives for this non-federal program are to formulate, develop, and administer a program that provides this insurance at rates between 150-200% of the rates applicable for individual standard risks.

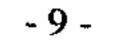
Upon the dissolution of either the entire Association or the non-federal program, the assets attributable to the non-federal program shall be used to satisfy all of the Association's outstanding liabilities and obligations attributable to this program. Any excess of assets over liabilities for this program shall be transferred to the State of Louisiana upon dissolution.

Policies for the non-federal program will be issued only to the extent that the losses will be covered by actuarially determined reserves.

The United States Congress enacted the Health Insurance Portability and Accountability Act of 1996 (HIPAA) in an attempt to improve the portability and continuity of health insurance coverage in the group and individual markets. HIPAA delegated the primary responsibility of enforcing these protections to the individual states.

In an attempt to be in compliance with the federal requirements described in HIPPA, the State of Louisiana passed Act No. 1154 during its 1998 regular session. This Act designated the Louisiana Health Insurance Association as the mechanism which the State of Louisiana will utilize to insure the availability of comprehensive health coverage to Louisiana citizens who lose their group health coverage and are guaranteed access to continuing coverage (federally defined eligible individuals).

While the Association will be responsible for administering both programs, Act No. 1154 does require the Association to maintain two separate set of accounts (one for federally eligible individuals and one for non-federally eligible individuals).





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NOTES TO THE FINANCIAL STATEMENTS

1. Significant Accounting Policies (continued)

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 could differ from these estimates.

While management and its actuaries use available information in estimating the Association's claims payable liability, changes in the filing tendencies of its participants and healthcare costs could result in further adjustments to this account. As such, it is reasonably possible that the estimated claims payable liability may change materially in the near term. The amount of the change that is reasonably possible, however, cannot be estimated.

Investments

Under Louisiana Revised Statute 39:1271, the Association may invest its excess funds in United States bonds, treasury notes or certificates, any other federally insured investment, or mutual and trust fund institutions which are registered with the Securities and Exchange Commission and have underlying investments consisting solely of and limited to securities of the United States government or its agencies.

The Association follows the provisions of SFAS No. 124, Accounting for Certain Investments Held by Not-for-Profit Organizations. Under the provisions of SFAS No. 124, investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value, as determined by quoted market prices, in the statements of financial position. Unrealized gains and losses are recorded in the statements of activities as increases or decreases in unrestricted net assets. Dividend, interest, and other investment income is recorded as an increase in unrestricted net assets unless the use is restricted by the donor.

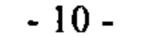
Realized gains and losses on dispositions are based on the net proceeds and the adjusted book value of the securities sold, using the specific identification method. These realized gains and losses flow through the Association's yearly activities.

Property and equipment

Property and equipment are stated at cost. Additions, renewals, and betterments that extend the life of these assets are capitalized. Maintenance and repair expenditures are expensed as incurred. Provisions for depreciation and amortization are computed using the straight-line method over three and five year periods, the estimated useful lives of the assets.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from

the accounts, and any resulting gains or losses are recognized in the statement of activities for that period.





NOTES TO THE FINANCIAL STATEMENTS

1. <u>Significant Accounting Policies</u> (continued)

Mandated service charges

In accordance with state law, the Association charges insurance companies two dollars per day service fees for each of their participants admitted to a hospital for in-patient services and one dollar service fees for each of their participants admitted to an ambulatory surgery center or a hospital for out-patient surgery. Patients who are responsible for their own charges, as well as patients who are covered by Medicare or other government subsidized programs, are exempt from these fees.

Premiums

In accordance with state law, premium rates are actuarially determined on an annual basis, or more frequently, if management deems it necessary. Factors affecting the rates include the amount of coverage provided, risk experience, demographics, expenses associated with providing coverage, and the rates charged by other insurance companies in the area for comparable policies. Premiums are recognized as revenue over the period covered.

Insurance company assessments

In accordance with state law, the Association shall recoup all verified deficit amounts attributable to federally defined eligible individuals (HIPAA) by assessing fees to all insurers who provide health insurance to Louisiana citizens. The fees are assessed in proportion to the insurers' gross premiums earned on business in Louisiana for the most recent calendar year for which information is available. The assessments are recognized as revenue during the period they become due.

Claims expense and claims payable

Claims expense consists of both the actual claims paid during the current year and any adjustments to the estimate of claims that have been incurred but not reported and reported claims that have not been settled.

The Association establishes a claims liability based on estimates, provided by the actuarial consultants, of the ultimate cost of claims that have been reported but not settled and of claims that have been incurred but not reported. These estimates are based primarily on past experience. These liabilities are necessarily based on estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amounts provided. Any adjustments to these estimates are reflected in that year's statement of activity.

Uncollectible accounts

Receivables are closely monitored during the year, and all accounts considered to be uncollectible are written-off when such conclusions are reached.



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NOTES TO THE FINANCIAL STATEMENTS

1. <u>Significant Accounting Policies</u> (continued)

Statements of cash flows

For the purpose of the statements of cash flows, the Association considers all amounts in demand deposit accounts and interest-bearing demand deposit accounts to be cash and cash equivalents.

Basis of presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Association does not have any temporarily restricted or permanently restricted net assets.

Reclassification

Certain amounts in the 1998 financial statements have been reclassified to conform with the current year presentation.

2. Investments

The Association's investments are uninsured and unregistered. The securities are held by a local bank's trust department, but not in the Association's name. The amortized costs and estimated fair values of investments held in trust as of December 31, 1999 and 1998, are as follows:

	December 31, 1999							
	Amortized <u>Cost</u>		Unrealized <u>Gains</u>		Unrealized Losses		Fair Value	
Money Market Funds United States Treasury Notes Mortgage Backed Securities guaranteed by U. S.	\$	1,042,009 11,568,705	\$	- 47,995	\$	- 161,807	\$	1,042,009 11,454,893
Government Agencies	<u>\$</u>	<u>3,685,229</u> 16,295,943	<u>\$</u>	<u>143</u> <u>48,138</u>	<u>\$</u>	<u> </u>	<u>\$</u>	<u>3,641,331</u> 16,138,233



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NOTES TO THE FINANCIAL STATEMENTS

2. <u>Investments</u> (continued)

	December 31, 1998							
		Amortized Cost	U	Inrealized Gains	_	realized .osses	•• •• ••	Fair Value
Money Market Funds United States Treasury Notes Mortgage Backed Securities guaranteed by U. S.	\$	2,896,541 9,009,037	\$	- 458,733	\$		\$	2,896,541 9,467,770
Government Agencies	<u>\$</u>	2,264,410 14,169,988	<u>\$</u>	<u>16,761</u> 475,494	<u>\$</u>	<u>1,558</u> <u>1,558</u>	<u>\$</u>	<u>2,279,613</u> 14,643,924

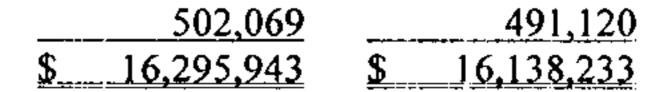
The following schedule summarizes the investment revenues and their classification in the statement of activities for the years ended December 31, 1999 and 1998:

		1999	<u> </u>		
Interest revenues, including the amortization of premiums and discounts	\$	909,509	\$	867,755	
Change in net unrealized appreciation					
of investments	(<u>631,646</u>)		221,322	
	<u>\$</u>	277,863	<u>\$</u>	1,089,077	

The amortized costs and estimated market values of debt securities at December 31, 1999, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

	 Amortized Cost	15 1	Fair Value
Within one year	\$ 5,322,213	\$	5,295,635
Greater than one but within five years	7,871,853		7,800,945
Greater than five but within ten years	2,599,808		2,550,533

Greater than ten years





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NOTES TO THE FINANCIAL STATEMENTS

3. Claims Payable

The claims payable liabilities of \$3,115,750 and \$1,273,595 reported at December 31, 1999 and 1998, respectively, are based on the requirement that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the liability can be reasonably estimated.

Activity in the liability for unpaid claims and claim adjustment expenses is summarized as follows:

 1999
 1998

 Unpaid claims and claims adjustment expenses at beginning of year
 \$ 1,273,595
 \$ 1,302,950

Incurred claims and claim adjustment expenses:		
Provision for insured events of the current fiscal year	7,586,309	5,793,651
Decrease in the provision for insured events of prior fiscal years	(205,577)	(194,049)
Total incurred claims and claim adjustment expenses	7,380,732	5,599,602
Payments:		
Claims and claims adjustment expenses attributable to insured		
events of the current fiscal year	4,470,559	4,520,056
Claims and claims adjustment expenses attributable to insured		
events of the prior fiscal years	1,068,018	1,108,901
Total payments	5,538,577	5,628,957
Unpaid claims and claims adjustment expenses at end of year	<u>\$ 3,115,750</u>	<u>\$ 1,273,595</u>

As a result of changes in estimates of incurred events in prior years, the provision for claims and claim adjustment expenses decreased by \$205,577 and \$194,049 for the years ended December 31, 1999 and 1998, respectively. These changes were due to the lower-than-anticipated development of claims.



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LOUISIANA HIGH RISK HEALTH POOL, INC. d/b/a LOUISIANA HEALTH INSURANCE ASSOCIATION BATON ROUGE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

4. Lease Commitments

The Association leases its office facilities under an agreement which requires the Association to make monthly payments ranging from \$1,833 to \$2,083 until the termination of the lease agreement in August 2001.

The Association's future minimum lease liabilities under this operating lease are as follows:

Year ending		
December 31,	A	mount
2000	\$	24,333
2001	<u> </u>	16,666
	\$	<u>40,999</u>

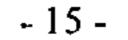
Total rent expense on operating leases was approximately \$27,000 and \$25,700 during the years ended December 31, 1999 and 1998, respectively.

5. Income Taxes

During the year ended December 31, 1997, the Internal Revenue Service determined that the Association is exempt from federal income taxes under Section 501(c)(26) of the Internal Revenue Code. The effective date of this ruling is January 1, 1998.

6. Capital and Surplus Requirements

The Louisiana insurance regulations require the Association to maintain a minimum capital and surplus level of \$3,000,000. The Board formally designated a portion of its unrestricted net assets for this purpose, and this designation is reflected on the financial statements accordingly.







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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

Board of Directors Louisiana High Risk Health Pool, Inc. d/b/a Louisiana Health Insurance Association Baton Rouge, Louisiana

Our report on the basic financial statements of Louisiana High Risk Health Pool, Inc. (a not-for-profit organization) d/b/a Louisiana Health Insurance Association as of and for the years ended December 31, 1999 and 1998, appears on page 1. Those audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules contained on pages 17 through 22 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information was subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Postlethwaite : Netteville

Baton Rouge, Louisiana June 16, 2000

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HIGH RISK HEALTH POOL (NON-FEDERALLY DEFINED INDIVIDUALS) STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 1999 AND 1998

ASSETS

	. <u> </u>	1999	 1998
Investments	\$	14,754,728	\$ 14,294,740
Cash and cash equivalents		77,685	109,230
Accrued interest receivable		231,700	161,256
Due from HIPAA pool		53,770	-
Property and equipment (net of accumulated depreciation			
and amortization of \$62,477 and \$54,050, respectively)		20,332	19,926
Total assets	\$	15,138,215	\$ 14,585,152

LIABILITIES AND NET ASSETS

<u>LIABILITIES</u>			
Claims payable	\$ 2,547,384	\$	1,149,995
Accounts payable	17,745		-
Payroll taxes payable	929		961
Total liabilities	 2,566,058		1,150,956
<u>NET ASSETS</u>			
Unrestricted			
Designated by the Board of Directors for the			
capital and surplus requirements of Louisiana			
insurance laws and regulations	3,000,000		3,000,000
Undesignated	 9,572,157		10,434,196
Total unrestricted net assets	12,572,157		13,434,196
Total liabilities and net assets	\$ 15,138,215	<u> </u>	14,585,152

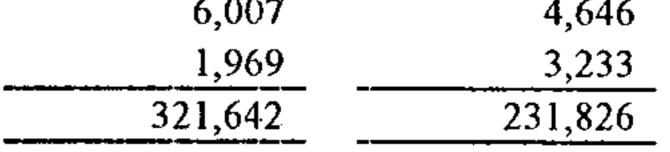


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HIGH RISK HEALTH POOL (NON-FEDERALLY DEFINED INDIVIDUALS) STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 1999 AND 1998

	1999	1998
REVENUES		
State appropriations	\$ 2,000,000	\$ 2,000,000
Mandated service charges	579,836	453,154
Premiums	2,461,327	2,233,502
Investment revenues	231,520	1,045,968
Net gain (loss) on sales of investments	(3,866)	(9,594
	5,268,817	5,723,030
CLAIMS EXPENSES		
Claims administration	116,865	89,04 7
Claims payments	4,294,960	5,245,599
Net activity in incurred but not reported claims		, , ,
liability and reported but unpaid claims liability	1,397,389	(152,955
	5,809,214	5,181,691
OPERATING EXPENSES		
Advertising	430	31
Bank and trustee fees	34,932	18,366
Computer services	63,427	54,075
Consultant - actuary	15,961	13,304
Copy usage and supplies	4,419	3,746
Depreciation and amortization	8,427	8,632
Insurance	6,961	7,871
Maintenance	2,154	1,583
Miscellaneous expenses	3,185	2,378
Office supplies	7,808	3,163
Payroll taxes	6,224	5,226
Postage	6,388	7,068
Professional education	1,145	298
Professional fees	46,480	16,897
Rent	13,506	13,603
Salaries and wages	91,657	67,110
Subscriptions and dues	562	596
Telephone and utilities	6.007	4 646

Travel expenses





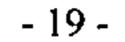
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HIGH RISK HEALTH POOL (NON-FEDERALLY DEFINED INDIVIDUALS) STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 1999 AND 1998

		1999		1998
<u>CHANGE IN NET ASSETS</u>	\$	(862,039)	\$	309,513
Net assets - beginning of year		13,434,196	•=• •··· • =	13,124,683
Net assets - end of year, including the \$3,000,000 designated by the Board of Directors for the capital and surplus requirements of Louisiana insurance laws and regulations	\$	12,572,157	\$	13,434,196

Additional disclosures of claims activity:

Claims payable - beginning of year	\$	1,149,995	\$	1,302,950
Net activity in incurred but not reported claims				
liability and reported but unpaid claims liability	 *	1,397,389		(152,955)
Claims payable - end of year	\$	2,547,384	<u> </u>	1,149,995





HIPAA POOL (FEDERALLY DEFINED ELIGIBLE INDIVIDUALS) **STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 1999 AND 1998**

ASSETS

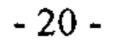
	1999	<u></u>	1998
Investments	\$ 1,383,505	\$	349,184
Cash and cash equivalents	33,946		56,222
Accrued interest receivable	7,916		2,877
Total assets	\$ 1,425,367	\$	408,283

LIABILITIES AND NET ASSETS

LIABILITIES

Claims payable	\$ 568,366	\$ 123,600
Accounts payable	2,941	-
Uncarned revenues	-	4,907
Due to high risk health pool	53,770	 -
Total liabilities	 625,077	 128,507
NET ASSETS		
Unrestricted	 800,290	 279,776
Total unrestricted net assets	 800,290	 279,776
Total liabilities and net assets	\$ 1,425,367	 408,283





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HIPAA POOL (FEDERALLY DEFINED ELIGIBLE INDIVIDUALS) STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 1999 AND 1998

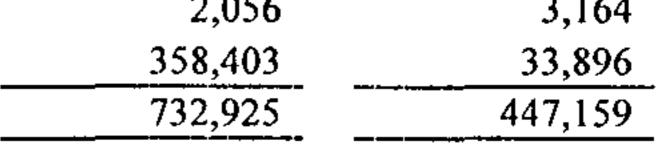
	1999		1998
<u>REVENUES</u>			
Insurance company assessments	\$ 2,149,22	9 \$	1,061,006
Premiums	629,38	5	166,659
Investment revenues	46,34	3	43,109
	2,824,95	7	1,270,774
CLAIMS EXPENSES			
Claims administration	24,22	0	8,445
Claims payments	1,102,53	2	285,866

Net activity in incurred but not reported claims

Not activity in meaned but not reported claims		
liability and reported but unpaid claims liability	444,766	123,600
	1,571,518	417,911
OPERATING EXPENSES		
Advertising	3,156	54,071
Agent commissions	1,464	-
Bank and trustee fees	5,400	1,498
Computer services	25,989	25,794
Consultant - actuary	18,822	7,588
Copy usage and supplies	8,838	15,068
Insurance	12,928	16,815
Maintenance	2,154	1,583
Miscellaneous expenses	3,162	2,355
Office supplies	11,090	4,436
Payroll taxes	11,559	9,503
Postage	12,455	9,686
Professional education	1,900	298
Professional fees	62,524	119,033
Rent	13,506	12,082
Salaries and wages	166,494	121,614
Subscriptions and dues	1,376	1,458
Telephone and utilities	9,649	7,217
Travel expenses	2.056	3 164

Travel expenses

Uncollectible accounts





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HIPAA POOL (FEDERALLY DEFINED ELIGIBLE INDIVIDUALS) STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 1999 AND 1998

	1999		1998	
<u>CHANGE IN NET ASSETS</u>	\$	520,514	\$	405,704
Net assets - beginning of year		279,776		(125,928)
Net assets - end of year	\$	800,290		279,776

Additional disclosures of claims activity:

_ _ _ _ _

Claims payable - beginning of year	\$ 123,600	\$	-
Net activity in incurred but not reported claims			
liability and reported but unpaid claims liability	 444,766	,,,,,,,,,,,,	123,600
Claims payable - end of year	\$ 568,366	\$	123,600



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SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 1999

- A. Summary of Audit Results:
 - (1) The independent auditors' report expressed an unqualified opinion on the financial statements of Louisiana High Risk Health Pool, Inc. as of and for the year ended December 31, 1999.
 - (2) One reportable condition relating to the audit of the financial statements is reported at section B-1 in this schedule. This condition is not considered a material weakness.
 - (3) No instances of noncompliance material to the financial statements of the Louisiana High Risk Health Pool, Inc. were disclosed during the audit.

B. <u>Reportable Conditions</u>:

(1) Lack of Segregation of Duties

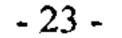
Condition - the performance of accounting procedures is limited to one person.

Criteria - segregation of duties is an integral part of internal controls; as such, policies and procedures should be in place that provide reasonable assurance that financial transactions are properly recorded.

Effect - the segregation of duties is inadequate to provide effective internal control.

Recommendation - no action is recommended.

Management's response - we concur with the finding and the recommendation. Compensating controls do exist, and the Board of Directors has decided that it would not be cost effective to increase the size of the administrative staff to achieve effective segregation of duties.



P&N
