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LOUISIANA HIGH RISK HEALTH POOL, INC.

d/b/a LOUISIANA HEALTH INSURANCE ASSOCIATION

FINANCIAL STATEMENTS

DECEMBER 31, 1998 and 1997

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 ~~06 04 1999~~





LOUISIANA HIGH RISK HEALTH POOL, INC.
d/b/a LOUISIANA HEALTH INSURANCE ASSOCIATION
FINANCIAL STATEMENTS
DECEMBER 31, 1998 and 1997



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Postlethwaite & Netterville
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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

We have audited the accompanying statements of financial position of Louisiana High Risk Health Pool, Inc. (a not-for-profit organization) d/b/a Louisiana Health Insurance Association as of December 31, 1998 and 1997, 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, 1998 and 1997, 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 10, 1999 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 & Netterville

Baton Rouge, Louisiana
June 10, 1999

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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, 1998, and have issued our report thereon dated June 10, 1999. 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.



Finding: The segregation of duties is inadequate to provide effective internal control.

Cause: This condition is due to the limited size of the accounting staff and available resources. This condition existed in previous years and was mentioned in our Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting based on an audit of financial statements performed in accordance with *Governmental Auditing Standards* dated March 19, 1998. This condition remained unchanged as of December 31, 1998.

Recommendation: No action recommended.

Management's response: We concur with the finding.

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 would 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 above 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.

Postlethwaite & Netterville

Baton Rouge, Louisiana
June 10, 1999

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

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 1998 AND 1997

ASSETS

	1998	1997
Cash and cash equivalents	\$ 165,452	\$ 39,622
Investments	14,643,924	14,062,030
Accrued interest	164,133	178,011
Property and equipment (net of accumulated depreciation of \$54,050 and \$45,418, respectively)	19,926	22,956
Total assets	\$ 14,993,435	\$ 14,302,619

LIABILITIES AND NET ASSETS

LIABILITIES

Payroll taxes payable	\$ 961	\$ 914
Unearned revenues	4,907	-
Claims payable	1,273,595	1,302,950
Total liabilities	1,279,463	1,303,864

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	10,713,972	9,998,755
Total unrestricted net assets	13,713,972	12,998,755
Total liabilities and net assets	\$ 14,993,435	\$ 14,302,619

The accompanying notes are an integral part of these financial statements



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

STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 1998 AND 1997

	1998	1997
<u>REVENUES</u>		
State appropriations	\$ 2,000,000	\$ 2,000,000
Mandated service charges	453,154	500,450
Insurance company assessments	1,061,006	-
Premiums	2,400,161	2,068,598
Investment revenues	1,089,077	1,093,736
Net gain (loss) on sales of investments	(9,594)	2,638
	6,993,804	5,665,422
<u>CLAIMS EXPENSES</u>		
Claims administration	97,492	78,063
Claims payments	5,531,465	4,523,281
Net activity in incurred but not reported claims liability and reported but unpaid claims liability	(29,355)	432,950
	5,599,602	5,034,294
<u>OPERATING EXPENSES</u>		
Advertising	54,102	6,126
Bank and trustee fees	19,864	19,983
Computer services	79,869	80,312
Consultant - actuary	20,892	35,577
Copy usage and supplies	18,814	6,132
Depreciation	8,632	7,552
Insurance	24,686	18,598
Maintenance	3,166	3,120
Miscellaneous expenses	4,733	461
Office supplies	7,599	7,886
Payroll taxes	14,729	11,684
Postage	16,754	10,037
Professional education	596	344
Professional fees	135,930	58,556
Rent	25,685	30,484
Salaries and wages	188,724	148,038
Subscriptions and dues	2,054	1,895
Telephone and utilities	11,863	10,067
Travel expenses	6,397	5,341
Uncollectible accounts	33,896	-
	678,985	462,193

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



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

STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 1998 AND 1997

	1998	1997
<u>CHANGE IN NET ASSETS</u>	\$ 715,217	\$ 168,935
Net assets - beginning of year	12,998,755	12,829,820
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	\$ 13,713,972	\$ 12,998,755
 <u>Additional disclosures of claims activity:</u>		
Claims payable - beginning of year	\$ 1,302,950	\$ 870,000
Net activity in incurred but not reported claims liability and reported but unpaid claims liability	(29,355)	432,950
Claims payable - end of year	\$ 1,273,595	\$ 1,302,950

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



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

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1998 AND 1997

	1998	1997
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
State appropriations received	\$ 2,000,000	\$ 2,000,000
Service charges received	453,154	500,450
Insurance assessments received	1,065,913	-
Premiums received	2,400,161	2,068,598
Investment interest received	890,014	795,970
Claims paid for participants	(5,531,465)	(4,523,281)
Cash paid to employees and suppliers	(767,798)	(532,756)
Net cash provided by operating activities	509,979	308,981
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(5,602)	(8,313)
Proceeds from sales and maturities of investments	2,408,848	4,793,633
Purchases of investments	(2,787,395)	(5,097,453)
Net cash used for investment activities	(384,149)	(312,133)
Net increase (decrease) in cash and cash equivalents	125,830	(3,152)
Cash and cash equivalents - beginning of year	39,622	42,774
Cash and cash equivalents - end of year	\$ 165,452	\$ 39,622

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



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

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1998 AND 1997

	1998	1997
<u>Reconciliation of change in net assets to</u> <u>net cash provided by operating activities</u>		
Change in net assets	\$ 715,217	\$ 168,935
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	8,632	7,552
Net change in unrealized (gains) losses on investments	(221,322)	(256,261)
Net (gain) loss on sales of investments	9,594	(2,638)
Net amortization of premiums and discounts	8,381	(19,008)
Decrease (increase) in accrued interest receivable	13,878	(22,497)
Increase (decrease) in claims payable	(29,355)	432,950
Increase (decrease) in payroll taxes payable	47	(52)
Increase in unearned revenues	4,907	-
Net cash provided by operating activities	\$ 509,979	\$ 308,981

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



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

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 HIPAA, the State of Louisiana passed Act No. 1154 during its 1997 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).

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

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 are computed using the straight-line method over 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.



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

NOTES TO THE FINANCIAL STATEMENTS

1. Significant Accounting Policies (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 annually, 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.

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

NOTES TO THE FINANCIAL STATEMENTS

1. Significant Accounting Policies (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 1997 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, 1998 and 1997, are as follows:

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



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

NOTES TO THE FINANCIAL STATEMENTS

2. Investments (continued)

	December 31, 1997			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money Market Funds	\$ 614,928	\$ -	\$ -	\$ 614,928
United States Treasury Notes	10,004,281	243,551	729	10,247,103
Mortgage Backed Securities guaranteed by U. S. Government Agencies	3,190,207	21,886	12,094	3,199,999
	<u>\$ 13,809,416</u>	<u>\$ 265,437</u>	<u>\$ 12,823</u>	<u>\$ 14,062,030</u>

The following schedule summarizes the investment revenues and their classification in the statement of activities for the years ended December 31, 1998 and 1997:

	1998	1997
Interest revenues, including the amortization of premiums and discounts	\$ 867,755	\$ 837,475
Change in net unrealized appreciation of investments	221,322	256,261
	<u>\$ 1,089,077</u>	<u>\$ 1,093,736</u>

The amortized costs and estimated market values of debt securities at December 31, 1998, 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	Fair Value
Within one year	\$ 3,996,354	\$ 4,000,795
Greater than one but within five years	6,442,913	6,656,504
Greater than five but within ten years	3,035,995	3,282,660
Greater than ten years	694,726	703,965
	<u>\$ 14,169,988</u>	<u>\$ 14,643,924</u>



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

NOTES TO THE FINANCIAL STATEMENTS

3. Claims Payable

The claims payable liabilities of \$1,273,595 and \$1,302,950 reported at December 31, 1998 and 1997, 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:

	<u>1998</u>	<u>1997</u>
Unpaid claims and claims adjustment expenses at beginning of year	\$ <u>1,302,950</u>	\$ <u>870,000</u>
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current fiscal year	5,793,651	5,100,241
Decrease in the provision for insured events of prior fiscal years	(<u>194,049</u>)	(<u>65,947</u>)
Total incurred claims and claim adjustment expenses	<u>5,599,602</u>	<u>5,034,294</u>
Payments:		
Claims and claims adjustment expenses attributable to insured events of the current fiscal year	4,520,056	3,797,291
Claims and claims adjustment expenses attributable to insured events of the prior fiscal years	<u>1,108,901</u>	<u>804,053</u>
Total payments	<u>5,628,957</u>	<u>4,601,344</u>
Unpaid claims and claims adjustment expenses at end of year	\$ <u>1,273,595</u>	\$ <u>1,302,950</u>

As a result of changes in estimates of incurred events in prior years, the provision for claims and claim adjustment expenses decreased by \$194,049 and \$65,947 for the years ended December 31, 1998 and 1997, respectively. These changes were due to the lower-than-anticipated development of claims.



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:

<u>Year ending</u> <u>December 31,</u>	
1999	\$ 23,333
2000	24,333
2001	<u>16,666</u>
	<u>\$ 64,332</u>

Total rent expense on operating leases was approximately \$25,700 and \$28,700 during the years ended December 31, 1998 and 1997, 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, 1997.

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, 1998 and 1997, 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 & Netterville

Baton Rouge, Louisiana
June 10, 1999

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

HIGH RISK HEALTH POOL (NON-FEDERALLY DEFINED INDIVIDUALS)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 1998 AND 1997

ASSETS

	<u>1998</u>	<u>1997</u>
Cash and cash equivalents	\$ 109,230	\$ 39,622
Investments	14,294,740	14,062,030
Accrued interest	161,256	178,011
Due from HIPAA pool	-	125,928
Property and equipment (net of accumulated depreciation of \$54,050 and \$45,418, respectively)	19,926	22,956
Total assets	<u>\$ 14,585,152</u>	<u>\$ 14,428,547</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Payroll taxes payable	\$ 961	\$ 914
Claims payable	1,149,995	1,302,950
Total liabilities	<u>1,150,956</u>	<u>1,303,864</u>

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	10,434,196	10,124,683
Total unrestricted net assets	<u>13,434,196</u>	<u>13,124,683</u>
 Total liabilities and net assets	 <u>\$ 14,585,152</u>	 <u>\$ 14,428,547</u>



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

HIGH RISK HEALTH POOL (NON-FEDERALLY DEFINED INDIVIDUALS)
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 1998 AND 1997

	1998	1997
<u>REVENUES</u>		
State appropriations	\$ 2,000,000	\$ 2,000,000
Mandated service charges	453,154	500,450
Premiums	2,233,502	2,068,598
Investment revenues	1,045,968	1,093,736
Net gain (loss) on sales of investments	(9,594)	2,638
	5,723,030	5,665,422
<u>CLAIMS EXPENSES</u>		
Claims administration	89,047	78,063
Claims payments	5,245,599	4,523,281
Net activity in incurred but not reported claims liability and reported but unpaid claims liability	(152,955)	432,950
	5,181,691	5,034,294
<u>OPERATING EXPENSES</u>		
Advertising	31	846
Bank and trustee fees	18,366	19,983
Computer services	54,075	72,515
Consultant - actuary	13,304	22,778
Copy usage and supplies	3,746	4,637
Depreciation	8,632	7,552
Insurance	7,871	13,040
Maintenance	1,583	2,580
Miscellaneous expenses	2,378	461
Office supplies	3,163	5,870
Payroll taxes	5,226	8,632
Postage	7,068	8,490
Professional education	298	344
Professional fees	16,897	19,823
Rent	13,603	22,901
Salaries and wages	67,110	112,698
Subscriptions and dues	596	1,853
Telephone and utilities	4,646	7,472
Travel expenses	3,233	3,790
	231,826	336,265

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HIGH RISK HEALTH POOL (NON-FEDERALLY DEFINED INDIVIDUALS)
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 1998 AND 1997

	1998	1997
<u>CHANGE IN NET ASSETS</u>	\$ 309,513	\$ 294,863
Net assets - beginning of year	13,124,683	12,829,820
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	\$ 13,434,196	\$ 13,124,683
 <u>Additional disclosures of claims activity:</u>		
Claims payable - beginning of year	\$ 1,302,950	\$ 870,000
Net activity in incurred but not reported claims liability and reported but unpaid claims liability	(152,955)	432,950
Claims payable - end of year	\$ 1,149,995	\$ 1,302,950

LOUISIANA HIGH RISK HEALTH POOL, INC.
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HIPAA POOL (FEDERALLY ELIGIBLE INDIVIDUALS)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 1998 AND 1997

ASSETS

	1998	1997
Cash and cash equivalents	\$ 56,222	\$ -
Investments	349,184	-
Accrued interest	2,877	-
Total assets	\$ 408,283	\$ -

LIABILITIES AND NET ASSETS

LIABILITIES

Claims payable	\$ 123,600	\$ -
Unearned revenues	4,907	-
Due to high risk health pool	-	125,928
Total liabilities	128,507	125,928

NET ASSETS

Unrestricted	279,776	(125,928)
Total unrestricted net assets	279,776	(125,928)
Total liabilities and net assets	\$ 408,283	\$ -

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

HIPAA POOL (FEDERALLY ELIGIBLE INDIVIDUALS)
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 1998 AND 1997

	1998	1997
<u>REVENUES</u>		
Insurance company assessments	\$ 1,061,006	\$ -
Premiums	166,659	-
Investment revenues	43,109	-
	1,270,774	-
<u>CLAIMS EXPENSES</u>		
Claims administration	8,445	-
Claims payments	285,866	-
Net activity in incurred but not reported claims liability and reported but unpaid claims liability	123,600	-
	417,911	-
<u>OPERATING EXPENSES</u>		
Advertising	54,071	5,280
Bank and trustee fees	1,498	-
Computer services	25,794	7,797
Consultant - actuary	7,588	12,799
Copy usage and supplies	15,068	1,495
Insurance	16,815	5,558
Maintenance	1,583	540
Miscellaneous expenses	2,355	-
Office supplies	4,436	2,016
Payroll taxes	9,503	3,052
Postage	9,686	1,547
Professional education	298	-
Professional fees	119,033	38,733
Rent	12,082	7,583
Salaries and wages	121,614	35,340
Subscriptions and dues	1,458	42
Telephone and utilities	7,217	2,595
Travel expenses	3,164	1,551
Uncollectible accounts	33,896	-
	447,159	125,928



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HIPAA POOL (FEDERALLY ELIGIBLE INDIVIDUALS)
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 1998 AND 1997

	1998	1997
<u>CHANGE IN NET ASSETS</u>	\$ 405,704	\$ (125,928)
Net assets - beginning of year	(125,928)	-
Net assets - end of year	\$ 279,776	\$ (125,928)
 <u>Additional disclosures of claims activity:</u>		
Claims payable - beginning of year	\$ -	\$ -
Net activity in incurred but not reported claims liability and reported but unpaid claims liability	123,600	-
Claims payable - end of year	\$ 123,600	\$ -

