



WASHINGTON STATE HEALTH INSURANCE POOL

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the Years Ended December 31, 2024 and 2023

The lower half of the cover features a complex, abstract geometric pattern. It consists of numerous overlapping, semi-transparent triangles and polygons in various shades of gray, creating a sense of depth and architectural structure. The pattern is dense and covers the entire width of the page.

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WASHINGTON STATE HEALTH INSURANCE POOL
TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITOR’S REPORT	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position.....	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements.....	6-11

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Washington State Health Insurance Pool

Opinion

We have audited the accompanying financial statements of Washington State Health Insurance Pool (a nonprofit organization), which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Washington State Health Insurance Pool as of December 31, 2024, and 2023, and the changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Washington State Health Insurance Pool and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Washington State Health Insurance Pool's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Washington State Health Insurance Pool's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Washington State Health Insurance Pool's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Sikich CPA LLC

Indianapolis, Indiana
October 28, 2025

FINANCIAL STATEMENTS

WASHINGTON STATE HEALTH INSURANCE POOL

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2024 and 2023

	2024	2023
ASSETS		
ASSETS		
Cash and cash equivalents	\$ 9,009,329	\$ 8,997,717
Assessments receivable	1,773,674	3,585,569
Premiums receivable	207,164	183,341
TOTAL ASSETS	\$ 10,990,167	\$ 12,766,627
LIABILITIES AND NET ASSETS		
LIABILITIES		
Unpaid claims	6,967,203	2,704,000
Unpaid claims adjustment expenses	295,000	148,000
Assessments payable	68,711	95,202
Premiums received in advance	322,016	206,244
General expenses due and accrued	132,158	182,386
Total liabilities	7,785,088	3,335,832
NET ASSETS		
Without donor restrictions	3,205,079	9,430,795
TOTAL LIABILITIES AND NET ASSETS	\$ 10,990,167	\$ 12,766,627

See accompanying notes to financial statements.

WASHINGTON STATE HEALTH INSURANCE POOL

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2024 and 2023

	2024	2023
REVENUES WITHOUT DONOR RESTRICTIONS		
Assessments	\$ 6,000,000	\$ 12,000,000
Net premium income	3,980,819	5,727,990
Interest income	380,750	492,637
	<u>10,361,569</u>	<u>18,220,627</u>
EXPENSES		
Program expenses:		
Hospital and medical benefits	15,101,793	14,914,776
Claim adjustment expenses	137,978	366,088
	<u>15,239,771</u>	<u>15,280,864</u>
Total program expenses		
	<u>15,239,771</u>	<u>15,280,864</u>
Management and administrative expenses:		
Administrator fees	573,225	521,591
Personnel fees	376,863	431,631
Professional fees	302,825	210,045
Other expenses	94,601	86,408
	<u>1,347,514</u>	<u>1,249,675</u>
Total management and general expenses		
	<u>1,347,514</u>	<u>1,249,675</u>
Total operating expenses	<u>16,587,285</u>	<u>16,530,539</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(6,225,716)	1,690,088
NET ASSETS, WITHOUT DONOR RESTRICTIONS, BEGINNING OF YEAR	<u>9,430,795</u>	<u>7,740,707</u>
NET ASSETS, WITHOUT DONOR RESTRICTIONS, END OF YEAR	<u>\$ 3,205,079</u>	<u>\$ 9,430,795</u>

See accompanying notes to financial statements.

WASHINGTON STATE HEALTH INSURANCE POOL

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Premiums collected	\$ 4,072,768	\$ 5,434,036
Claims and claims adjustment expenses paid	(10,691,590)	(15,558,994)
General and administrative expenses paid	(1,535,720)	(1,559,783)
Cash flows from operating activities	<u>(8,154,542)</u>	<u>(11,684,741)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	<u>380,750</u>	<u>492,637</u>
Cash flows from investing activities	<u>380,750</u>	<u>492,637</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Assessments collected	<u>7,785,404</u>	<u>11,051,577</u>
Cash flows from financing activities	<u>7,785,404</u>	<u>11,051,577</u>
CHANGE IN CASH AND CASH EQUIVALENTS	<u>11,612</u>	<u>(140,527)</u>
CASH AND CASH EQUIVALENTS		
AT BEGINNING OF YEAR	<u>8,997,717</u>	<u>9,138,244</u>
CASH AND CASH EQUIVALENTS		
AT END OF YEAR	<u>\$ 9,009,329</u>	<u>\$ 8,997,717</u>

See accompanying notes to financial statements.

WASHINGTON STATE HEALTH INSURANCE POOL

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Washington State Health Insurance Pool (the Pool), a nonprofit unincorporated entity, was established by the State of Washington to make health care coverage available for eligible persons in Washington who have been rejected for individual coverage by licensed insurance carriers.

Basis of Accounting

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (USGAAP).

Use of Estimates

The preparation of financial statements in conformity with USGAAP 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.

Cash and Cash Equivalents

The Pool considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Net Assets

Net assets, revenues and expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions:

Net assets without donor restrictions represent funds which are fully available, at the discretion of management and the Board of Directors, for the Pool to utilize in any of its programs or supporting services. The funds can be either undesignated, or Board designated for specific activities or programs and events. There were no net assets with board designations at December 31, 2024 and 2023, respectively.

WASHINGTON STATE HEALTH INSURANCE POOL
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

With Donor Restrictions:

Net assets with donor restrictions are comprised of funds which are restricted by donors for specific purposes. The restrictions are satisfied either by the passage of time or by actions of the Pool. Donor restrictions could also include resources with permanent donor-imposed restrictions, which require the assets to be maintained in perpetuity but permit the Pool to expend all or part of the income derived from the assets. There were no net assets with donor restrictions at December 31, 2024 and 2023, respectively.

Unpaid Claims and Related Expenses

The liabilities for unpaid claims and related expenses are estimated based on historical claim development, including the effects of six-month pre-existing condition exclusion. Considerable variability is inherent in such estimates. However, management believes that liabilities recognized for unpaid claims and related expenses are adequate. The estimates are continually reviewed and updated as experience develops, or new information becomes known; such adjustments are reflected in current operations.

The unpaid claims and related expenses calculation methodology is consistent with that used in prior periods. The Pool used the development method for medical, and pharmacy claims as well as pharmacy invoices and pending claim information. The Pool also used actuarial judgment and projected per member per month incurred claims for the most recent incurred months. Additionally, the Pool considered large, pending claims of which they were aware.

Premium deficiencies are not recognized since the Pool has the authority to assess member carriers for operating losses.

Revenue Recognition

Net Premium Income

Premiums are earned pro rata over the period to which the premiums relate. Premiums received in advance represent amounts received in advance of the policy effective date. Premiums receivable represent monthly premiums due from policy holders. Premiums must be received by the Pool within 90 days of the due date, or the policy holder is terminated from the Pool. Delinquent premium payments are recognized as revenue upon collection and are not accrued. Based on information available, the Pool believes that no allowance for credit losses is required. However, actual write-offs may exceed the recorded allowance.

WASHINGTON STATE HEALTH INSURANCE POOL
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Assessments

Assessments of the insurer members are approved by the Board of Directors and are recognized as contribution revenue as there is no direct commensurate value received by the members for their contributions. Assessments are made periodically and are based on projected cash flow needs. Assessments receivable represents outstanding balances assessed to insurance companies but not yet collected, and assessments payable represents amounts overpaid by insurance companies and are to be refunded. As the insurer members are required to pay the assessment by state statute, management has determined that no allowance for doubtful accounts is required. Assessments are not considered to have any donor restrictions as the money is used to fund operations of the Pool and are expected to be collected within the next year.

Concentration of Credit Risk

Deposits at the Pool's financial institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2024, and 2023, the Pool had a balance in excess of the insured limit of approximately \$9,128,829 and \$8,914,000, respectively. The Pool has not experienced a loss due to uninsured balances and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

Functional Expense Allocations

The costs of the supporting activities of the Pool have been summarized on a functional basis. All expenses are recorded directly to the corresponding function by account and therefore no allocations are necessary.

Income Taxes

The Internal Revenue Service has determined that the Pool qualifies as a tax-exempt organization under Section 501(c)(26) of the Internal Revenue Code (IRC) as other than a private foundation and is, therefore, not subject to tax under present income tax law. The Pool is required to operate in conformity with the IRC to maintain its qualification. The Pool is also exempt from State of Washington taxes.

The Pool is no longer subject to U.S. Federal or state examinations by tax authorities for tax years prior to 2021.

WASHINGTON STATE HEALTH INSURANCE POOL
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued or are available to be issued. These events and transactions either provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements (that is, recognized subsequent events), or provide evidence about conditions that did not exist at the date of the balance sheet but arose after that date (that is, non-recognized subsequent events).

The Pool has evaluated subsequent events through October 28, 2025, which was the date that these financial statements were available for issuance and noted no nonrecognized subsequent events through that date, except as disclosed in Note 3.

2. LIABILITY FOR UNPAID CLAIMS AND CLAIMS ADJUSTMENT EXPENSES

The following table provides a reconciliation of the beginning and ending balances of the liability for unpaid claims and unpaid claims adjustment expenses:

	2024	2023
BALANCES AT JANUARY 1	\$ 2,852,000	\$ 3,425,000
Policy benefits incurred related to:		
Current year	15,781,004	16,348,495
Prior years (redundancy)	(541,233)	(1,067,631)
Total policy benefits incurred	15,239,771	15,280,864
Paid related to:		
Current year	8,558,015	13,497,495
Prior years	2,271,553	2,356,369
Total paid	10,829,568	15,853,864
BALANCE AT DECEMBER 31	\$ 7,262,203	\$ 2,852,000

For the year ended December 31, 2024, prior year's liability for unpaid claims and claims adjustment expenses included no factors that were significant. Policy benefits incurred related to prior years vary from previously estimated liabilities as the claims are ultimately settled. The changes in amounts incurred related to prior years are the result of changes in morbidity experience, health care utilization and claim payment patterns.

WASHINGTON STATE HEALTH INSURANCE POOL
NOTES TO FINANCIAL STATEMENTS (Continued)

2. LIABILITY FOR UNPAID CLAIMS AND CLAIMS ADJUSTMENT EXPENSES
(Continued)

The total liability for unpaid claims and claims adjustment expense included incurred but not reported health claims (not including claim adjustment expenses of \$295,000 and \$148,000, respectively) of approximately \$6,967,203 and \$2,704,000 at December 31, 2024 and 2023, respectively.

Substantially all of the IBNR balance at December 31, 2024 relates to the current year.

Year	Net Incurred Medical Costs and Claims Adjustments For the Years Ended December 31	
	2023	2024
2023	\$ 16,348,495	\$ 15,883,745
2024		<u>15,781,004</u>
Total		<u>31,664,749</u>

Year	Net Cumulative Medical Payments and Claims Adjustments For the Years Ended December 31	
	2023	2024
2023	\$ (13,497,495)	(15,844,531)
2024		<u>(8,558,015)</u>
Total	(13,497,495)	(24,402,546)
Net remaining liabilities prior to 2023	<u>1,000</u>	-
	<u>(13,496,495)</u>	<u>(24,402,546)</u>
TOTAL LIABILITY FOR UNPAID CLAIMS AND CLAIMS ADJUSTMENTS	\$ 2,852,000	\$ 7,262,203

3. PLAN ADMINISTRATION AGREEMENT

Effective August 20, 2024, under a memorandum of understanding, the Pool contracted its interim administrative services to HPHG, LLC, a Texas limited liability company dba 90 Degrees Benefits, while the parties negotiated a long-term administrative service agreement.

A long-term agreement was completed January 15, 2025, effective January 1, 2025 extending through December 31, 2028. In accordance with both agreements, the Pool is charged an hourly fee for work performed; total financial administrative service fees paid to 90 Degrees Benefits for the year ended December 31, 2024 were \$280,000.

WASHINGTON STATE HEALTH INSURANCE POOL
NOTES TO FINANCIAL STATEMENTS (Continued)

3. PLAN ADMINISTRATION AGREEMENT (Continued)

Prior to the retention of 90 Degreed Benefits., financial administrative services were outsourced to Benefit Management LLC (BML), a Kansas based third party administrator. In accordance with the related agreement, the Pool was charged a monthly fixed fee. Fees paid to BML for the years ended December 31, 2024 and 2023, were \$456,834 and \$816,460. On August 7, 2024, BML filed for bankruptcy and services were discontinued.

4. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Pool's financial assets for operating expenses within one year of the statements of financial position date:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 9,009,329	\$ 8,997,717
Assessment receivable	1,773,674	3,585,569
Premiums receivable	<u>207,164</u>	<u>183,341</u>
 TOTAL FINANCIAL ASSETS	 <u><u>\$ 10,990,167</u></u>	 <u><u>\$ 12,766,627</u></u>

All of the Pool's financial assets are to be used to pay claims and operating expenses. When at any time claims and operating expenses are projected to exceed premium revenue, the Pool has the statutory authority to assess the insurance carriers writing business in the State of Washington for cash flow to cover the losses.

5. CONTINGENCY

The Pool is subject to an array of laws and regulations relating to the operations of the Pool. Under current laws and regulations, the Pool may be subject to litigation in the normal course of business. The management of the Pool believes that any liability that may result from any type of litigation is unlikely to have a material adverse effect on its financial condition as it has the authority to assess the insurer carriers for any such losses.