

**UNIVERSITY OF NEW MEXICO  
BEHAVIORAL HEALTH OPERATIONS**

**REPORT OF INDEPENDENT AUDITORS AND  
FINANCIAL STATEMENTS WITH  
SUPPLEMENTARY INFORMATION**

**JUNE 30, 2016 AND 2015**

**MOSS-ADAMS<sub>LLP</sub>**

Certified Public Accountants | Business Consultants

**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS  
FISCAL YEAR 2016 OFFICIAL ROSTER**

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**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS  
FISCAL YEAR 2016 OFFICIAL ROSTER (CONTINUED)**

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**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS**

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## REPORT OF INDEPENDENT AUDITORS

The University of New Mexico Health Sciences Center  
Board of Trustees and  
Mr. Timothy Keller, New Mexico State Auditor

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the University of New Mexico Behavioral Health Operations (the "Center"), a division of the University of New Mexico, State of New Mexico, operated by the University of New Mexico Health Sciences Center Clinical Operations, which comprise the statements of net position as of June 30, 2016 and 2015, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements. We have also audited the Comparison of Budgeted and Actual Revenues and Expenses ("budget comparison") of the Center presented as supplementary information, as defined by the Governmental Accounting Standards Board, for the year ended June 30, 2016.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

The University of New Mexico Health Sciences Center  
Board of Trustees and  
Mr. Timothy Keller, New Mexico State Auditor

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Center as of June 30, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budget comparison referred to above presents fairly, in all material respects, the budgetary comparison of the Center for the year ended June 30, 2016 in conformity with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 1 to the financial statements, the financial statements referred to above are intended to present only the activities and transactions attributable to the Center, a division of the University of New Mexico, not to the University of New Mexico as a whole.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 16, the schedule of the Center's proportionate share of the net pension liability on page 45, the schedule of Center contributions on page 46, and the schedule of postemployment benefits other than pensions schedule of funding progress on page 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The accompanying vendor schedule of contracts entered into greater than \$60,000 on page 48 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

The University of New Mexico Health Sciences Center  
Board of Trustees and  
Mr. Timothy Keller, New Mexico State Auditor

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2016, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

*Mess Adams LLP*

Albuquerque, New Mexico  
October 21, 2016

**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016 and 2015**

This section of the University of New Mexico (UNM) Behavioral Health Operations includes the UNM Psychiatric Center (Adult Center) and the UNM Children's Psychiatric Center (Children's Center), collectively, the Center. The annual financial report presents management's discussion and analysis of the financial performance of the Center during the fiscal years ended June 30, 2016 and 2015. This discussion should be read in conjunction with the accompanying financial statements and notes. Management has prepared the financial statements and the related note disclosures along with this discussion and analysis. As such, the financial statements, notes, and this discussion are the responsibility of the Center's management.

**Using the Annual Financial Report**

This annual report consists of financial statements prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended.

The financial statements prescribed by GASB 34 (the statements of net position, statements of revenues, expenses, and changes in net position, and the statements of cash flows) present financial information in a form similar to that used by commercial corporations. They are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided, and expenses and liabilities are recognized when others provide the service or goods are received, regardless of when cash is exchanged.

The statements of net position include all assets and liabilities. Over time, increases or decreases in net position (the difference between assets and liabilities) is one indicator of the improvement or erosion of the Center's financial health when considered with nonfinancial facts such as patient statistics and the condition of facilities. This statement includes all assets and liabilities using the accrual basis of accounting, which is consistent with the accounting method used by non-governmental hospitals and healthcare organizations.

The statements of revenues, expenses, and changes in net position present the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. A public hospital's dependency on state aid can result in an operating deficit since the financial reporting model classifies such aid as nonoperating revenues, which is the case with the State appropriation and County mill levy received by the Center. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.



**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2016 and 2015**

The statements of cash flows present information related to cash inflows and outflows summarized by operating, capital, and noncapital financing activities.

	<b>Condensed Summary of Net Position</b>		
	<b>As of June 30,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Assets:</b>			
Current assets	\$ 9,842,421	10,693,320	8,739,257
Capital assets	8,950,998	8,259,107	8,781,481
Noncurrent assets	10,464,633	11,217,487	9,507,505
Total assets	<u>\$ 29,258,052</u>	<u>30,169,914</u>	<u>27,028,243</u>
<b>Deferred Outflows:</b>			
Total deferred outflows of resources	<u>\$ 432,356</u>	<u>178,603</u>	<u>—</u>
<b>Liabilities:</b>			
Current liabilities	\$ 10,145,250	6,285,448	5,654,111
Noncurrent liabilities	2,924,809	3,679,051	586,223
Total liabilities	<u>\$ 13,070,059</u>	<u>9,964,499</u>	<u>6,240,334</u>
<b>Deferred Inflows:</b>			
Total deferred inflows of resources	<u>\$ 1,069,220</u>	<u>655,095</u>	<u>—</u>
<b>Net position</b>			
Net investment in capital assets	\$ 8,950,998	8,259,107	8,781,481
Restricted	186,478	175,603	226,856
Unrestricted	6,413,653	11,294,213	11,779,572
Total net position	<u>\$ 15,551,129</u>	<u>19,728,923</u>	<u>20,787,909</u>

At June 30, 2016, the Center's total assets were \$29.3 million, compared to \$30.2 million at June 30, 2015 and \$27.0 million at June 30, 2014. The Center's largest asset is the related-party receivable due from affiliates in the amount of \$10.5 million at June 30, 2016, \$11.2 million at June 30, 2015, and \$9.5 million at June 30, 2014 followed by the investment in capital assets of \$9.0 million at June 30, 2016, compared to \$8.3 million and \$8.8 million at June 30, 2015 and 2014, respectively. The University of New Mexico Hospital (the Hospital) manages all cash receipts and disbursements on behalf of the Center. The noncurrent asset represents the related-party receivable between the Hospital and the Center for the intercompany cash transactions. For the three years presented, the Center's current assets have been sufficient to cover current liabilities in fiscal years 2014 and 2015. In fiscal year 2016, current liabilities were \$302,829 more than current assets.

**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2016 and 2015**

The Center's current liabilities increased by \$3.9 million from June 30, 2015 to June 30, 2016, and increased by \$630,000 from June 30, 2014 to June 30, 2015. The increase during 2016 was primarily the result of billings occurring later in the year for services provided at Psychiatric Emergency Services Department that are due to the UNM and additional estimated third-party payor settlements.

The Center's noncurrent liabilities decreased by \$750,000 from June 30, 2015 to June 30, 2016, and increased by \$3.1 million from June 30, 2014 to June 30, 2015. The decrease in 2016 was mainly attributed to the termination of the Other Post Employment Benefit Plan (OPEB) as of December 31, 2015 in the amount of \$616,219. The increase during 2015 was primarily related to the addition of \$3.1 million net pension liability related to implementation of GASB 68.

Total net position decreased by \$4.2 million to \$15.5 million at June 30, 2016, which reflects an operating loss of \$26.1 million, offset by nonoperating net revenues of \$21.3 million and a special item related to the gain on the termination of OPEB of \$616,000. Unrestricted net position totaled \$6.4 million while total net position was \$15.5 million at June 30, 2016 .

Total net position decreased by \$1.1 million to \$19.7 million at June 30, 2015, which reflects an operating loss of \$18.4 million, offset by nonoperating net revenues of \$20.9 million and a restatement to beginning net position of \$3.6 million related to GASB 68. Unrestricted net position totaled \$11.3 million while total net position was \$19.7 million at June 30, 2015.

**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2016 and 2015**

**Condensed Summary of Revenues, Expenses, and Changes in Net Position**

	Year Ended June 30,		
	2016	2015	2014
Total operating revenues	\$ 25,905,626	33,287,707	28,737,088
Total operating expenses	<u>(52,012,800)</u>	<u>(51,691,504)</u>	<u>(49,453,007)</u>
Operating loss	(26,107,174)	(18,403,797)	(20,715,919)
Nonoperating revenues and expenses and other revenues	<u>21,313,161</u>	<u>20,965,620</u>	<u>20,529,207</u>
(Decrease) increase in net position, before special item	(4,794,013)	2,561,823	(186,712)
Special Item (Gain on reversal of OPEB Liability)	<u>616,219</u>	-	-
(Decrease) increase in net position	<u>(4,177,794)</u>	<u>2,561,823</u>	<u>(186,712)</u>
Net position, beginning of year	19,728,923	20,787,909	20,974,621
Impact of change in accounting pronouncement	<u>-</u>	<u>(3,620,809)</u>	<u>-</u>
Net position, beginning of year as restated	<u>19,728,923</u>	<u>17,167,100</u>	<u>20,974,621</u>
Net position, end of year	<u>\$ 15,551,129</u>	<u>19,728,923</u>	<u>20,787,909</u>

**Operating Revenues**

The sources of operating revenues for the Center are net patient service, contracts and grants, and other operating (ancillary services) revenues, with the most significant source being net patient service revenues. Operating revenues were \$25.9 million, \$33.3 million, and \$28.7 million for the years ended June 30, 2016, 2015, and 2014, respectively.

Net patient service revenue is comprised of gross patient service revenue, net of contractual allowances, charity care, provision for doubtful accounts, and any third-party settlements. Net patient service revenues were \$24.7 million, \$31.8 million, and \$26.4 million for 2016, 2015, and 2014, respectively.

Net patient service revenues for 2016 of \$24.7 million decreased \$7.1 million from \$31.8 million in 2015, which represents a 22% decrease. The primary factor that caused the decrease was a change in estimate for fiscal 2015's Disproportionate Share Medicaid reimbursement (DSH). DSH hospital reimbursement was enacted and put into regulation to assist hospitals with the burden of uncompensated care costs incurred for rendering services to both Medicaid and uninsured patients. Furthermore, no further DSH was expected nor accrued during fiscal 2016.

**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2016 and 2015**

The Affordable Care Act (ACA) through the Health Insurance Exchange and expansion of Medicaid in New Mexico has significantly reduced the uninsured patient population for UNM Hospitals. Given the estimated reduction of net uncompensated care costs for uninsured and Medicaid patients during fiscal 2015 upon which DSH payments would be based, the amount of \$2,051,224 recognized for DSH during fiscal 2015 was refunded in fiscal 2016 as a change in estimate. If the Hospital had not recognized DSH in fiscal 2015, net patient service revenue would have been \$29.8 million compared to \$26.8 million in fiscal 2016.

An additional factor in the decrease of net patient services revenues in fiscal year 2016 was related to a decrease in patient days of 884 (4%) and patient discharges by 52 (2%) from the prior year.

The increase in net patient service revenues in fiscal year 2015 over 2014 was primarily a result of an increase in patient days of 2,085 (9.5%) and patient discharges by 244 (12%) from the prior year, in addition to an increase of \$1.7 million for Indirect Medical Education revenue, \$800,000 for Medicare Cost Report Settlements and the conversion of the Substance Abuse Prevention and Treatment contract to individual patient claims.

Patient days and visits are important statistics for the Center and are presented below:

	Year ended June 30,		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Inpatient Days- Adult Psychiatric Center	13,590	13,808	13,151
Inpatient Days- Children's Psychiatric Center	9,652	10,318	8,890
Total Inpatient Days	23,242	24,126	22,041
Discharges	2,267	2,319	2,073
Outpatient visits	142,887	146,576	140,923

In 2015, inpatient days for both adult and children increased by 2,085 days or 9.5% from 2014 as a result of Medicaid expansion under the Affordable Care Act (ACA). In 2016, inpatient days for both facilities decreased by 884 days or 4% as a result of other units being opened and expanded within the community by other organizations. Discharges also increased from 2014 to 2015, and then decreased in 2016 as a result of the same factors described for patient days. Total outpatient visits also increased in 2015 compared to 2014 as a result of the ACA, and they decreased in 2016 as a result of vacancies and shortages in the licensed professionals who provide the outpatient services.

**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2016 and 2015**

The Center also provides charity care to those individuals who meet certain criteria. Charges foregone based on estimated rates, and the related estimated costs and expenses incurred to provide charity care are as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Charges foregone, based on established rates	\$ 10,497,000	3,937,000	6,863,000
Estimated costs and expenses incurred to provide charity care	8,291,740	2,935,000	4,713,000
Equivalent percentage of charity care charges foregone to total gross revenue	16%	6%	10%

The primary cause of the increase in 2016 over 2015 is the timing of charity determinations were delayed during 2015 resulting in the recognition of charity impacting 2016 rather than the year of service.

The Center continues to offer a financial assistance program called UNM Care to which all eligible patients are encouraged to apply. This program assigns patients primary care providers and enables them to receive care throughout the Center and at all clinic locations. This program is available to Bernalillo County residents who also meet certain income and asset thresholds. Patients applying for coverage under UNM Care must apply for coverage under the New Mexico Health Insurance Exchange (the Exchange), if eligible. Patients may continue to receive UNM Care until they receive Medicaid eligibility or notification of coverage under the Exchange. Patients certified under Medicaid or the Exchange may continue to qualify for UNM Care as a secondary coverage for copays and deductibles if they meet the income guidelines. If a patient has access to insurance coverage under the Exchange, or through other coverage options, such as an employer or spouse the patient would be expected to obtain coverage through that source prior to eligibility for UNM Care. The Center uses the same sliding income scale as the ACA to determine if insurance coverage is considered affordable. If coverage is determined not affordable, patients may be granted a hardship waiver, and would not be required to pursue coverage under the exchange. These patients would qualify for UNM Care.

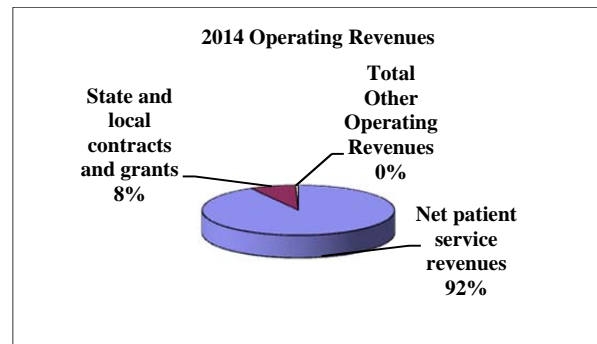
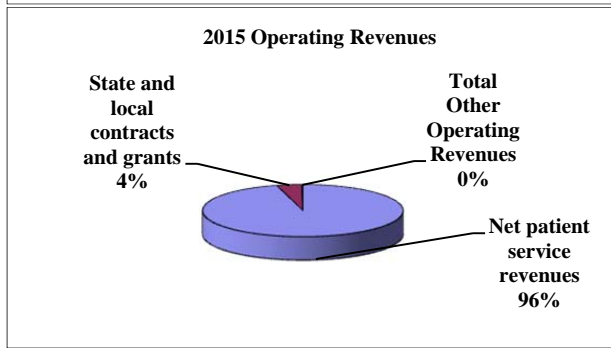
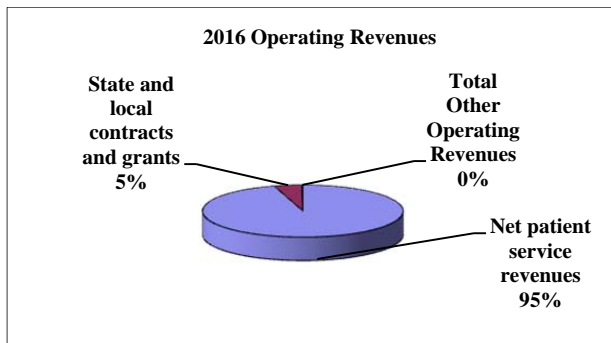
As of June 30, 2016, 2015, and 2014, there were approximately 6,800, 7,000, and 20,200 active enrollees, respectively, in UNM Care. The income threshold for UNM Care is 300% of the Federal Poverty Level (FPL), and patients may apply for this program at various locations throughout the Hospital and various community locations. The Center does not pursue collection of amounts determined to qualify as charity care, with the exception of copayments.

**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2016 and 2015**

The Medicare Recovery Audit Contract (RAC) program was created through the Medicare Modernization Act of 2003 (MMA). This is a program to review healthcare claims in order to identify and recover inappropriate payments made to providers for fee-for-service Medicare. The RAC program encompassing New Mexico became effective in March 2009, with Cotiviti Healthcare formerly known as Connoly Consulting, as the current contractor.

Currently, the RAC contractor can request up to two records every 45 days for the Center. Claims can be requested for up to three (3) years after the payment date. Since inception of the RAC program, the Center has received requests for 55 records, representing approximately \$677,000 in Medicare payments. A total of \$645,000 in records have been reviewed and approved and \$33,000 were denied. There were no RAC requests during the fiscal years ended June 30, 2016 and 2015.

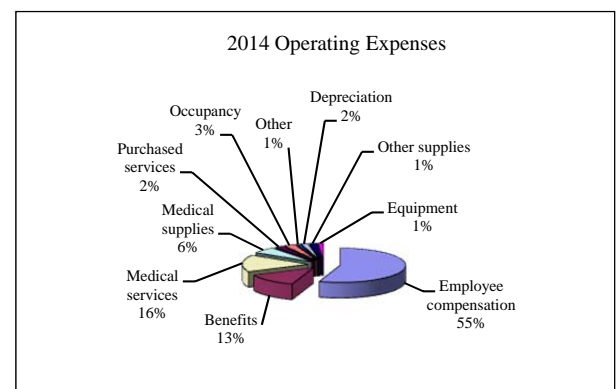
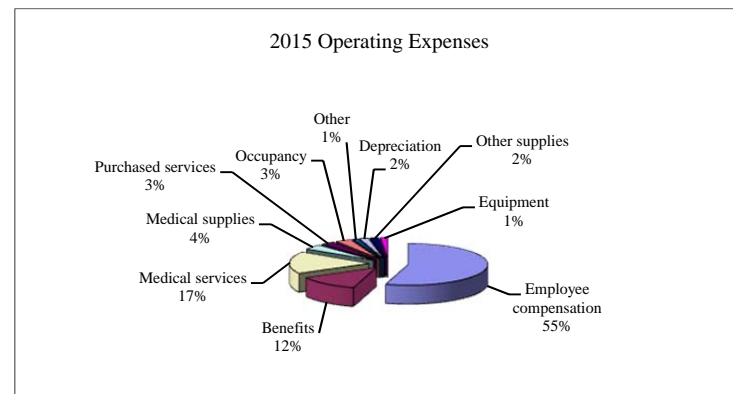
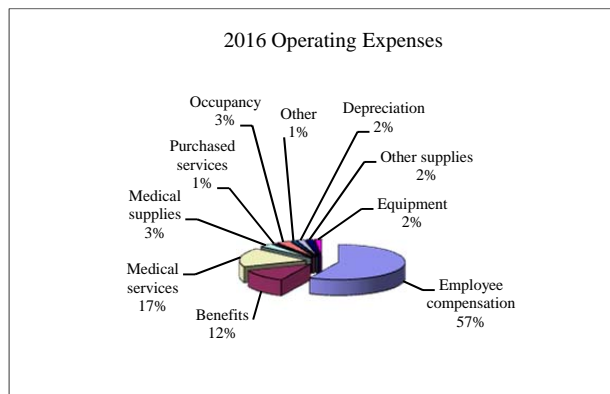
The following pie charts depict the operating revenue mix for the years ended June 30, 2016, 2015, and 2014:



**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2016 and 2015**

**Operating Expenses**

The following pie charts depict the distribution of the operating expenses for the Center for the years ended June 30, 2016, 2015, and 2014:



Operating expenses for 2016, including depreciation of \$966,400 totaled \$52 million. Overall expenses remained consistent with the prior year. Employee compensation increased 4% (\$1,147,000), medical services increased 1% (\$86,000), medical supplies decreased 17% (\$329,000), and purchased services decreased 71% (\$1.1 million) from fiscal year 2015 to 2016. Employee compensation increased due to the 2.7% employee wage increase that was awarded in May and June of 2015 and merit-based increases awarded throughout fiscal year 2016 on employees' anniversary dates. These averaged between 2-3.2% for employees whose performance was determined to be satisfactory or higher. Medical services increased as a result of increased support of resident programs. Medical supplies decreased primarily as a result of a reduction in lab tests. Purchased services decreased as a result of increased internal capacity to perform patient financial collecting activities following implementation of a new billing system that went live in August of 2015. During fiscal year 2015, when the new billing system was being implemented, it required additional dedicated resources which reduced capacity for day-to-day operations. The implementation was completed in early fiscal year 2016, which allowed for a re-allocation of resources for day-to-day operations.

**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2016 and 2015**

Operating expenses for 2015, including depreciation of \$968,000, totaled \$51.7 million. Overall expenses increased 4.5% (\$2,200,000) from the prior year. Employee compensation increased 4.0% (\$1,099,000), medical services increased 12.8% (\$999,000), medical supplies decreased 33.3% (\$978,000), and purchased services increased 55.1% (\$535,000) from fiscal year 2014 to 2015. Employee compensation increased due to employee wage increases of 2.7% in July 2014 and 2.0% in May 2015. Medical services increased as a result of increased support of resident programs and physician providers for Psychiatric Emergency Services coverage. Medical supplies decreased due to more favorable pricing for laboratory screenings, coupled with a reduction in volumes. Purchased services increased as a result of conversion to new billing system in August 2015. The new billing system was necessary in order to comply with the requirement to implement ICD-10 by October 1, 2015. There were no other significant or unexpected changes in operating expenses.

**Nonoperating Revenues and Expenses**

Revenue from the Bernalillo County mill levy was the most significant source of nonoperating revenue, totaling \$14.4 million in 2016, \$14.0 million in 2015, and \$13.8 million in 2014. The MOU with Bernalillo County stipulates at least twelve percent (12%) and up to fifteen percent (15%) of the Mill Levy revenue will be allocated to the operation and maintenance of the Mental Health Center and associated behavioral health and substance abuse treatment services that are offered by the Hospital and the Mental Health Center. During the fiscal years ended June 30, 2016 and 2015, the percentage allocated to the Center was the maximum of 15%. The state appropriation was the next most significant nonoperating revenue source totaling \$7.2 million in 2016, \$7.3 million in 2015, and \$7.0 million in 2014. The state appropriation is provided to the Center to fulfill its mission to the State of New Mexico. In 1975, the Center was created by state statute under the authority of the State of New Mexico to supply what were deemed as necessary services to improve the mental health and well-being of New Mexico's children and adolescents through inpatient services at the Center, at school sites, and at patients' homes. The appropriation also funds the operation of the Mimbres School, a state-supported, on-site school. In February of 2016 the state appropriation was reduced by .60% (\$43,800). This reduction took place during the rescission process of the New Mexico legislature. In fiscal year 2015 the state appropriation was increased by \$318,000 (4.6%) during the regular session of the New Mexico legislature for the Education Retirement Funding and salary increases.



**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2016 and 2015**

Nonoperating revenue for fiscal year ended June 30, 2016 included \$15,600 in bequests and contributions. Nonoperating revenue for fiscal year ended June 30, 2015 included \$10,000 in bequests and contributions.

**Capital Assets**

At June 30, 2016, the Center had \$22.6 million invested in capital assets, less accumulated depreciation of \$13.6 million. Depreciation charges for the year totaled \$966,000 compared to \$968,000 and \$848,000 in 2015 and 2014, respectively.

	<b>As of June 30,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Land and improvements	\$ 1,386,407	1,185,024	1,117,908
Building and improvements	12,809,919	12,809,919	12,400,673
Building service equipment	4,622,299	4,201,384	3,694,361
Major moveable equipment	2,047,385	1,992,445	1,958,044
Fixed equipment	554,679	554,679	554,679
Construction in progress	1,174,369	281,290	962,684
	<u>22,595,058</u>	<u>21,024,741</u>	<u>20,688,349</u>
Less accumulated depreciation	<u>(13,644,060)</u>	<u>(12,765,634)</u>	<u>(11,906,868)</u>
Net property and equipment	<u>\$ 8,950,998</u>	<u>8,259,107</u>	<u>8,781,481</u>

During the year ended June 30, 2016, the Center's capital expenditures included improvements to the children's facility courtyard for safety reasons, and to improve the drainage system of the area. This project allowed children in the intensive care units to be able to go outside in a safe and enjoyable environment. The correction of the drainage system also allowed the Center to convert an art room into a multi-purpose room that is now being used for children's art time and occupational learning and assessment. The children's facility also replaced the emergency generator to ensure power during power outages. At the end of fiscal year 2016, several improvement projects were in progress which includes a renovation on the second floor of the Adult facility to turn existing space into a new primary care outpatient clinic, and a project to rehabilitate a part of the second floor for a counseling room to support the Center's Adolescent Counseling Program at the Addictions and Substance Abuse programs building.

During the year ended June 30, 2015, the Center's capital expenditures included improvements to the adult and children's inpatient areas, elevator replacements, and lighting and fire sprinkler upgrades. Due to the age of the facilities, building service equipment projects included plumbing replacements, sewer line replacements and electrical upgrades. The majority of the improvements made in 2016 and 2015 were directly related to patient safety and quality needs.

**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2016 and 2015**

**Change in Net Position**

Total net position (assets plus deferred outflows minus liabilities minus deferred inflows) are classified by the Center's ability to use these assets to meet operating needs. Total net position can be unrestricted or restricted. Unrestricted net position for the Center may be used to meet all operating needs of the Center. Restricted net position is generated by donations and gifts and is further classified as to the purpose for which it must be used. The Center's total change in net position reflected a net decrease of approximately \$4.2 million in 2016 and a net decrease of \$1.1 million in 2015.

**Factors Impacting Future Periods**

In the 2016 New Mexico State legislative session, House Bill 2 was issued which stated that the Human Services Department (HSD) "...shall reduce reimbursement rates to Medicaid providers..." This was in response to significant shortfalls in State revenues, largely related to reduced oil and gas taxes. Supplement 16-03 delayed implementation of certain fee schedule reductions for physicians and other practitioners until August 1, 2016, to allow for further analysis by Human Services Department (HSD). On July 20, 2016, HSD published Supplement Number 16-07 with final reductions that were effective August 1, 2016. HSD considers the fee schedule for the Medicare program to be the "standard for fee-for-service payment methodology in America and intends to move its reimbursement policy for the Medicaid program toward greater alignment with a percentage of Medicare rates." The Supplement states that "New Mexico's Medicaid rates were 7<sup>th</sup> highest in the nation in 2014, at an average of 91% of Medicare and 25% above the national average for state Medicaid programs." HSD implemented a first phase of reductions effective August 1, 2016 and a second phase of reductions to be effective January 1, 2017. The practitioner reductions effective August 1, 2016, range from 0% to 6% depending on a comparison of each CPT codes current reimbursement rate to Medicare reimbursement rates, with a goal of reimbursement being at or below 94% of Medicare reimbursement rates. For the reductions effective January 1, 2017, HSD intends to move any rates that are above 100% of Medicare rates to 94% of Medicare rates.

Hospital outpatient reimbursement rates at acute care, critical access and outpatient rehabilitative hospitals were reduced by 3%. Outpatient hospital laboratory services were reduced by 6% to align with the Medicaid fee schedule for laboratory services and to reflect movement of the Medicaid fee schedule to 94% of Medicare rates for laboratory services. The Center's reimbursement from Medicaid Managed Care

**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2016 and 2015**

Organizations (MCO) is based on the State outpatient fee schedules. Reimbursement rates for both fee-for-service and Medicaid MCO patients are impacted by this outpatient reduction.

The State does not expect these reductions in inpatient and outpatient hospital and practitioner reimbursement to have an impact on Medicaid recipient access to providers. The impact of these inpatient, outpatient and practitioner reductions on the Center is estimated at \$130,000.

The Center currently has a 3-year agreement with Molina Healthcare to provide services to Medicaid patients. During fiscal year 2016, Molina forced reopening of negotiations by threatening contract termination as it sought substantial reductions in its Medicaid payments to the Center. The Center and Molina have tentatively agreed to a reduction in rates for outpatient services that would be effective for dates of service beginning August 1, 2016. These reductions are estimated to impact the Center by \$260,000.

On July 28, 2016, Centers for Medicare & Medicaid Services (CMS) released the fiscal year 2017 Inpatient Psychiatric Facilities (IPF) Prospective Payment System (PPS) Final Rule. The IPF PPS rates will increase by a market basket increase of 2.8%, less a 0.3% productivity reduction and an additional market basket reduction of 0.2% as mandated under the ACA, and a decrease of 0.1% resulting from an updated outlier threshold. The estimated impact of these changes in Medicare IPF reimbursement for the Center is an increase of \$65,000.

On July 6, 2016, CMS issued the proposed calendar year 2017 Outpatient Prospective Payment rule. CMS proposed to raise the base OPSS Payment rate by a market basket increase of 2.8%, less a productivity adjustment of 0.5% and 0.75% for reductions required under ACA. For hospitals that do not report the required quality measures identified by CMS, the update will be decreased by 2.0 percentage points, to -0.45%. It is anticipated that the Hospital will receive approximately \$12,000 as a result of this proposed rule.

The RAC program encompassing New Mexico became effective in March 2009, with Cotiviti Healthcare as the contractor. CMS is currently in the procurement process for the next round of RAC contractors. The new RAC contracts are expected to be awarded by the end of calendar year 2016. October 1, 2016 is the last day that current RAC contractors can submit claim adjustments to MAC for overpayment or underpayments. Once new contracts have been awarded, the RAC contractors can begin sending additional documentation requests.

**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2016 and 2015**

The Bernalillo County mill levy the Center receives is based on property values. This tax subsidy is provided for the operations and maintenance of the Center. The proceeds of the mill levy may not be repurposed for any purpose other than that which the voters approved. It is possible that the amount of the mill levy may remain flat or potentially decrease as a result of reduced property values and slowdowns in the building construction industry. The voters approved the renewal of the mill levy in the November 2008 election. The mill levy is subject to approval by the Bernalillo County voters every eight years, and Bernalillo County has elected to place it on the November 2016 election ballot for renewal.

The Center's facilities are leased from Bernalillo County (the County) by UNM under the 1999 lease agreement, as described under Note 1 to the financial statements. Section IV of this agreement provides for either party to the lease to reopen the terms and conditions by giving notices in the first three months of 2006, 2014, 2022, 2030 and 2038. On March 25, 2014, the County Commission approved Administrative Resolution AR 2014-21 to open negotiations with UNM on the lease agreement and to establish a taskforce to provide healthcare expertise to the County in support of the negotiations. The County received recommendations from the taskforce in September 2014. The County continues to review these recommendations and has engaged a consultant to make recommendations for a behavioral health system in Bernalillo County. The Center is working closely with the County and the consultant to develop and review these recommendations.

The Center will also see an additional reduction in state appropriations in fiscal year 2017 of \$177,300 or 2.43% that was passed in February of 2016 to assist with the State budget shortfalls.

**Contacting the Center's Financial Management**

This financial report is designed to provide the Center's patients, suppliers, taxpayers, and creditors with a general overview of the Center's finances and to show the Center's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the UNM Hospital's Finance and Accounting Department, Attn.: Controller, P.O. Box 80600, Albuquerque, NM 87198-0600.

**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS**  
**STATEMENTS OF NET POSITION**  
**June 30, 2016 and 2015**

<b>Assets</b>	<b>2016</b>	<b>2015</b>
Current Assets		
Cash and cash equivalents	\$ 3,317	3,067
Receivables		
Patient (net of allowance for doubtful accounts and contractual adjustments of approximately \$15,272,00 in 2016 and \$13,115,000 in 2015)	3,235,545	4,527,006
Contracts and grants	4,125	67,325
Estimated third-party payor settlements	6,142,443	5,654,092
Bernalillo County mill levy	260,954	250,164
UNMMG	45,035	-
Total net receivables	<u>9,688,102</u>	<u>10,498,587</u>
Inventories	148,528	163,673
Prepaid expenses	2,474	27,993
Total current assets	<u>9,842,421</u>	<u>10,693,320</u>
Noncurrent assets		
Due from affiliates	10,464,633	11,217,487
Capital assets, net	8,950,998	8,259,107
Total noncurrent assets	<u>19,415,631</u>	<u>19,476,594</u>
Total assets	<u>29,258,052</u>	<u>30,169,914</u>
<b>Deferred Outflows</b>		
Total deferred outflows related to pensions	<u>432,356</u>	<u>178,603</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable	1,387,308	1,708,245
Due to University of New Mexico	2,516,499	272,055
Accrued compensation and benefits	2,906,701	2,732,813
Estimated third-party payor settlements	3,334,742	1,572,335
Total current liabilities	<u>10,145,250</u>	<u>6,285,448</u>
Noncurrent liabilities		
Net OPEB obligation	-	616,219
Net pension liability	2,924,809	3,062,832
Total noncurrent liabilities	<u>2,924,809</u>	<u>3,679,051</u>
Total liabilities	<u>13,070,059</u>	<u>9,964,499</u>
<b>Deferred Inflows</b>		
Total deferred inflows related to pensions	<u>1,069,220</u>	<u>655,095</u>
<b>Net Position</b>		
Net investment in capital assets	8,950,998	8,259,107
Restricted for expendable grants, bequests, and contributions	186,478	175,603
Unrestricted	6,413,653	11,294,213
Total net position	<u>\$ 15,551,129</u>	<u>19,728,923</u>

*See Accompanying Notes to Financial Statements.*

**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Net patient service	\$ 24,710,386	31,834,269
State and local contracts and grants	1,150,986	1,393,643
Other operating revenues	44,254	59,795
Total operating revenues	<u>25,905,626</u>	<u>33,287,707</u>
Operating Expenses		
Employee compensation	29,541,940	28,394,939
Benefits	6,607,212	6,316,830
Medical services	8,892,604	8,806,683
Medical supplies	1,626,633	1,955,697
Occupancy	1,722,908	1,640,596
Purchased services	434,835	1,506,168
Depreciation	966,378	968,438
Other supplies	873,545	825,551
Equipment	841,437	768,718
Other	505,308	507,884
Total operating expenses	<u>52,012,800</u>	<u>51,691,504</u>
Operating loss	<u>(26,107,174)</u>	<u>(18,403,797)</u>
Nonoperating revenues (expenses)		
Bernalillo County mill levy	14,377,402	13,987,396
State general fund and other state fund appropriations	7,249,199	7,292,900
Bequests and contributions	15,612	9,574
Other nonoperating expense	(329,052)	(324,250)
Net nonoperating revenue (expense)	<u>21,313,161</u>	<u>20,965,620</u>
Increase (decrease) in net position, before special items	<u>(4,794,013)</u>	<u>2,561,823</u>
Special Item		
Gain on reversal of OPEB liability (Note 12)	616,219	-
Net special items	<u>616,219</u>	<u>-</u>
Increase (decrease) in net position	<u>(4,177,794)</u>	<u>2,561,823</u>
Net position, beginning of year	<u>19,728,923</u>	<u>17,167,100</u>
Net position, end of year	<u>\$ 15,551,129</u>	<u>19,728,923</u>

*See Accompanying Notes to Financial Statements.*

**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Cash received from Medicaid and Medicare	\$ 17,156,946	20,594,442
Cash received from insurance and patients	10,118,957	9,300,505
Cash received from contracts and grants	1,214,186	1,338,345
Cash payments to suppliers	(14,047,877)	(12,578,277)
Cash payments to employees	(28,873,727)	(28,106,222)
Cash payments to University of New Mexico	(5,964,410)	(9,374,091)
Cash received from (payments to) affiliates	707,819	(1,709,982)
Other cash receipts	44,254	33,635
Net cash used in operating activities	<u>(19,643,852)</u>	<u>(20,501,645)</u>
Cash flows from noncapital financing activities		
Cash received from state general fund and other state fund appropriations	7,249,199	7,292,900
Cash received from Bernalillo County mill levy	14,366,612	13,969,335
Cash payment for nonoperating sources	(322,303)	(324,250)
Cash received from contributions for other-than-capital purposes	15,612	9,574
Net cash provided by noncapital financing activities	<u>21,309,120</u>	<u>20,947,559</u>
Cash flows from capital activities		
Purchases of capital assets	(1,665,018)	(446,064)
Net cash used in capital activities	<u>(1,665,018)</u>	<u>(446,064)</u>
Net increase (decrease) in cash and cash equivalents	250	(150)
Cash and cash equivalents, beginning of year	<u>3,067</u>	<u>3,217</u>
Cash and cash equivalents, end of year	\$ <u><u>3,317</u></u>	<u><u>3,067</u></u>
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (26,107,174)	(18,403,797)
Adjustments to reconcile operating loss to net cash (used in) operating activities		
Depreciation expense	966,378	968,438
Provision for doubtful accounts	667,413	4,084,866
Change in assets, deferred outflows, liabilities, and deferred inflows		
Patient receivables, net	624,048	(4,877,941)
Due from affiliates	707,819	(1,709,982)
Contracts and grants receivables	63,200	(55,298)
Estimated third-party payor settlements receivables	(488,351)	(1,069,756)
Other assets and prepaid expenses	25,519	17,506
Inventories	15,145	(35,529)
Due to University of New Mexico	2,244,444	(214,247)
Accounts payable and accrued expenses	(147,049)	952,072
Estimated third-party payor settlements liabilities	1,762,407	(76,491)
Deferred outflow of resources related to pensions	(253,753)	(81,486)
Deferred inflow of resources related to pensions	414,125	-
Net pension liability	(138,023)	-
Net cash used in operating activities	<u>\$ (19,643,852)</u>	<u>(20,501,645)</u>

*See Accompanying Notes to Financial Statements.*

**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015**

**NOTE 1. DESCRIPTION OF BUSINESS**

The University of New Mexico Behavioral Health Operations include the UNM Psychiatric Center and the UNM Children's Psychiatric Center (collectively, the Center).

The Adult Center is a psychiatric center operated by the University of New Mexico Health Sciences Center, and was organized under a joint powers agreement between the University of New Mexico (UNM), a state institution of higher education created by the New Mexico Constitution, and Bernalillo County (the County) for the purpose of providing mental health services and for the advancement of human knowledge and education in the mental health field. The UNM Board of Regents and the Board of County Commissioners entered into a lease agreement for operation and lease of County healthcare facilities, effective July 1, 1999 and terminating June 30, 2020. The purpose of the original lease is to operate and maintain the Center in accordance with the provisions of the Hospital Funding Act for the term of the agreement. This agreement continues in force until rescinded or terminated by either party. Effective November 18, 2004, the UNM Board of Regents and the Board of County Commissioners entered into a First Amendment to the Original Lease, under which, among other things, extended the term of the Original Lease until June 30, 2055.

The Children's Center, a psychiatric center operated by UNM Health Sciences Center, is certified as a short-term, acute care provider. The Center provides intensive treatment for children and adolescents through its acute inpatient, residential, and outpatient therapy programs. The Children's Center is the state's only comprehensive psychiatric facility dedicated solely to the treatment of seriously emotionally disturbed children and adolescents.

The accompanying financial statements of the Center is intended to present the financial position and changes in financial position and cash flows of only that portion of the business-type activities of UNM, which are attributable to the transactions of the Center. The Center is not a legally separate entity and is, therefore, reported as a division of UNM and included in the basic financial statements of UNM. The Center as a division of UNM has no component units.

The UNM Board of Regents is the ultimate governing authority of the Center, but has delegated certain oversight responsibilities to the UNM Health Sciences Center's Board of Trustees, which consists of nine members, including seven members appointed by the UNM Board of Regents, two of which are nominated by the All Pueblo Council of Governors. The two remaining members are appointed by the County Commission.



**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016 and 2015**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Presentation.* The accompanying financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting, in accordance with generally accepted accounting principles for healthcare organizations, and are presented in accordance with the reporting model as prescribed in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*; as amended by GASB Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosure*; and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position*. The Center follows the business-type activities requirements of GASB Statement No. 34 and No. 63. This approach requires the following components of the Center’s financial statements:

- Management’s discussion and analysis.
- Basic financial statements, including statements of net position, statements of revenues, expenses, and changes in net position, and statements of cash flows using the direct method for the Center as a whole.
- Notes to financial statements.

GASB Statement No. 34 and subsequent amendments including GASB Statement No. 63 as discussed below, established standards for external financial reporting and requires that resources be classified for accounting and reporting purposes into the following three net position categories:

- *Net investment in capital assets:* Capital assets, net of accumulated depreciation.
- *Restricted, expendable:* Assets whose use by the Center is subject to externally imposed constraints that can be fulfilled by actions of the Center pursuant to those constraints or that expire by the passage of time.
- *Unrestricted:* Assets that are not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees, the UNM Board of Regents, or may otherwise be limited by contractual agreements with outside parties.

*Recent Accounting Pronouncement.* The GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27 (“GASB No. 68”)*, which is effective for financial statements for periods beginning after June 15, 2014. GASB No. 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or

**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016 and 2015**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. It establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. The impact of this statement to the Hospital is the requirement of net pension liability associated with the defined benefit pension to be reflected in its Statements of Net Position.

*Use of Estimates.* The preparation of financial statements in accordance with U.S. 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 financial statement dates, and the reported amount of revenues and expenses during the reporting periods. Due to uncertainties in the estimation process, actual results could differ from those estimates. During the fiscal year ended June 30, 2016, such a change in the estimate used in determining collectible accounts receivable from patients services for the prior year did occur. As more experience with respect to the Affordable Care Act was acquired, it was determined that net patient revenue for fiscal year 2015 was much lower than the amount estimated based upon the information that was available at the time the estimate was made. Approximately \$1.2 million less than what was estimated for fiscal year 2015 was collected on patient accounts receivables during fiscal year 2016. The largest factor in this change in estimate was a direct result of delayed payments from fiscal year 2014 inflating on-going assumptions regarding collectability of accounts receivables in fiscal year 2015. The delays in fiscal year 2014 payments were the result of the implementation of the Affordable Care Act during fiscal year 2014. Demand for Medicaid coverage far exceeded the State's expectations, and as a result, applications fell behind by four to six months. The complexity of this change was also compounded by uncertainty regarding the Managed Care Organizations (MCO's) selection for each patient.

*Contracts and Grants.* Revenue from contracts and grants is recognized to the extent of direct costs and allowable indirect expenses incurred under the terms of each agreement. Funds restricted by grantors for operating purposes are recognized as revenues when the terms of the grant have been met. All reimbursable costs for which reimbursement has not been received are reflected in the accompanying statements of net position as contracts and grants receivable.

**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016 and 2015**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Operating Revenues and Expenses.* The Center's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues, such as patient services revenues, result from exchange transactions associated with providing healthcare services, the behavioral operations' principal activity. Exchange transactions are those in which each party to the transaction receives and gives up essentially equal values. Operating expenses are all expenses incurred to provide healthcare services.

*Nonoperating Revenue.* Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as appropriations, gifts, investment income, and government levies. Nonexchange revenue streams are recognized under GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions. Appropriations are recognized in the year they are appropriated, regardless of when actually received. Bequests and contributions are recognized when all applicable eligibility requirements have been met. The Mill Levy is recognized in the period it is collected by Bernalillo County.

*Pensions.* For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the NM Education Retirement Board (ERB) plan and additions to/deductions from ERB's fiduciary net position have been determine don't he same basis as they are reported by ERB. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

*Cash and Cash Equivalents.* The Center considers all highly liquid investments (excluding amounts whose use is limited) purchased with an original maturity of three months or less to be cash equivalents.

*Inventories.* Inventories consisting of medical, surgical and maintenance supplies, and pharmaceuticals are stated at the lower of cost or market. Cost is determined using the first-in, first-out valuation method, except that the replacement cost method is used for pharmacy inventories.

*Capital Assets.* Capital assets are stated at cost on the date of acquisition or at estimated fair value on the date of donation. The Center's capitalization policy for assets includes all items with a unit cost of more than \$5,000 and a minimum estimated useful life of three year. Depreciation of capital assets is calculated using the straight-line method over the estimated useful lives of the assets as indicated in the "Estimated Useful Lives of Depreciable Hospital Assets," Revised 2013 Edition published by the American Hospital Association. Repairs and maintenance costs are charged to expense as incurred. On an annual basis, the Center assesses long-lived assets in order to determine whether or not it is necessary to retire, replace, or impair on condition of the assets and their intended use.

**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016 and 2015**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The buildings occupied by the Center are as follows: The Adult Center's buildings are owned by the County and are furnished to this Center in accordance with the lease agreement between the County and UNM. The Children Center's buildings are owned by UNM and are furnished for use to this Center. The land for the Center is owned by UNM. This property has been recorded on the Center's financial statements. Equipment includes items that have been purchased with funds received in accordance with certain contracts and grants, and title to this equipment is vested with the Center.

*Due from Affiliates.* The UNM Hospital (the Hospital) receives all cash on behalf of the Center and pays all obligations. Accounts payable and accrued expenses are considered paid and no longer an obligation of the Center when vouchered for payment by the Hospital. Amounts due from affiliates consist mainly of cash collected in excess of expenses paid and do not bear interest.

*Net Patient Service Revenues.* Net patient revenues are recorded at the estimated net realizable amount from patients, third-party payors, and others for services rendered. Retroactive adjustments under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

*Charity Care.* The Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Center does not pursue collection of amounts determined to qualify as charity care, they are deducted from gross revenue, with the exception of co-payments.

*Bernalillo County Taxes.* The amount of the property tax levy is assessed annually on November 1 based on the valuation of property as determined by the Bernalillo County Assessor and is due in equal semiannual installments on November 10 and April 10 of the next year. Taxes become delinquent 30 days after the due date unless the original levy date has been formally extended. Taxes are collected on behalf of the Center by the County Treasurer and are remitted to the Hospital in the month following collection. Revenue is recognized in the fiscal year the levy is collected by Bernalillo County.

*State Appropriation.* The funding for the state appropriation is included in the General Appropriation Act, which is approved by the House and Senate of the State Legislature and signed by the governor before going into effect. Total funds appropriated for years ended June 30, 2016 and 2015 are \$7,292,900 and \$7,293,000, respectively. However, in fiscal year 2016, the Center realized a .60% rescission in funding which totaled a \$43,800 reduction in revenues as compared to fiscal year 2015 for a total allocation of \$7,249,000. These funds are appropriated in

**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016 and 2015**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

the General Fund. The General Fund is designated as a nonreverting fund, per House Bill 2, Section 4. Sub-section J. Higher Education.

*Income Taxes.* As part of a state institution of higher education, the income of the Center is generally excluded from federal and state income taxes under Section 115(1) of the Internal Revenue Code. However, income generated from activities unrelated to the Center's exempt purpose is subject to income taxes under Internal Revenue Code Section 511(a)(2)(B). During the years ended June 30, 2016 and 2015, there was no income generated from unrelated activities.

*Special Item.* Significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence are reported as special items in the Statements of Revenues, Expenses and Changes in Net Position. In fiscal year 2016, the Center recognized a special item of \$616,219 of which is related to the release of the OPEB reserve as this single employer defined-benefit plan was terminated December 31, 2015 (see Note 12). This reserve was originally recorded by the Center based on the actuarially determined net OPEB obligation as of June 30, 2014.

*Risk Management.* The Hospital sponsors a self-insured health plan in which the Center's employees participate, as all employees of the Center are under the centralized umbrella of the Hospital. Blue Cross and Blue Shield of New Mexico and HMO New Mexico (BCBSNM and HMONM) provide administrative claim payment services for the Hospital's plan. Liabilities are based on an estimate of claims that have been incurred but not reported (IBNR) and claims received but not yet paid. At June 30, 2016 and 2015, the estimated amount of the Center's IBNR and accrued claims was \$284,000 and \$314,000, respectively. The liability balance for the self-insurance plan is included in accrued payroll of the Hospital, which is reflected in the net due from affiliate account of the Center. The incurred but not reported liability was based on an actuarial analysis calculated using information provided by BCBSNM. Changes in the reported liability were as follows:

	<u>Fiscal Year</u>	<u>Estimates</u>	<u>Payments</u>	<u>Year-end</u>
2015-2016	\$ 313,644	3,207,471	(3,237,502)	283,613
2014-2015	\$ 267,998	3,034,474	(2,988,828)	313,644

*Financial Reporting by Employers for Postemployment Benefits Other than Pensions.* Prior to fiscal year 2016, the Hospital and the Center provided other postemployment benefits (OPEB) as part of a qualified employee's total compensation package. OPEB included postemployment medical and dental healthcare provided separately from a benefit or pension plan. GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, established standards for the measurement,

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, required supplementary information (RSI) in the financial reports of state and local governmental employers. Effective December 31, 2015, this plan was dissolved and no longer offered to employees.

Estimates for 2015 were based upon the 2014 actuarial calculations, as permitted by GASB 45. The OPEB obligation estimate was actuarially determined for the combined operations (the Hospital and the Center), and the liabilities and expenses were allocated to each reporting entity based on the applicable full-time equivalent (FTE) based on the information from the 2010 report.

*Classification.* Certain 2015 amounts have been reclassified to conform to the 2016 presentation.

**NOTE 3. CONCENTRATION OF RISK**

The Center receives payment for services rendered to patients under payment arrangements with payors that include: (i) Medicare and Medicaid, (ii) other third-party payors, including commercial carriers, and (iii) others. The other payor category includes United States Public Health Service, self-pay, counties and other government agencies. The following table summarizes patient accounts receivable and the percentage of gross accounts receivable from all payors as of June 30:

	<u>2016</u>		<u>2015</u>	
Patients and their insurance carriers	\$ 3,887,257	20%	\$ 3,510,096	20%
Medicare	2,551,044	14	2,698,784	15
Medicaid	<u>12,069,158</u>	<u>66</u>	<u>11,432,924</u>	<u>65</u>
Total patient accounts receivable	18,507,459	<u>100%</u>	17,641,804	<u>100%</u>
Less allowance for uncollectible accounts and contractual adjustments:				
Patient accounts receivable, net	<u>(15,271,914)</u>		<u>(13,114,798)</u>	
	<u>\$ 3,235,545</u>		<u>\$ 4,527,006</u>	

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**NOTE 4. CAPITAL ASSETS**

The major classes of capital assets at June 30 and activity for the year then ended are as follows:

	Year Ended June 30, 2016				Ending Balance
	Beginning Balance	Additions	Transfers	Retirements	
Center capital assets not being depreciated:					
Land	\$ 111,000	-	-	-	111,000
Construction in Progress	281,290	1,515,377	(622,298)	-	1,174,369
	<u>\$ 392,290</u>	<u>1,515,377</u>	<u>(622,298)</u>	<u>-</u>	<u>1,285,369</u>
Center depreciable capital assets:					
Land and land improvements	\$ 1,074,024	-	201,383	-	1,275,407
Building and building improvements	12,809,919	-	-	-	12,809,919
Building service equipment	4,201,384	-	420,915	-	4,622,299
Major moveable equipment	1,992,445	149,641	-	(94,701)	2,047,385
Fixed equipment	554,679	-	-	-	554,679
Total depreciable capital assets	<u>20,632,451</u>	<u>149,641</u>	<u>622,298</u>	<u>(94,701)</u>	<u>21,309,689</u>
Less accumulated depreciation for:					
Land improvements	(467,028)	(91,798)	-	-	(558,826)
Building and building improvements	(9,202,135)	(454,526)	-	-	(9,656,661)
Building service equipment	(1,233,663)	(299,281)	-	-	(1,532,944)
Major moveable equipment	(1,718,917)	(76,343)	-	87,952	(1,707,308)
Fixed equipment	(143,891)	(44,430)	-	-	(188,321)
Total accumulated depreciation	<u>(12,765,634)</u>	<u>(966,378)</u>	<u>-</u>	<u>87,952</u>	<u>(13,644,060)</u>
Center depreciable capital assets, net	<u>\$ 7,866,817</u>	<u>(816,737)</u>	<u>622,298</u>	<u>(6,749)</u>	<u>7,665,629</u>
Capital asset summary:					
Center capital assets not being depreciated	\$ 392,290	1,515,377	(622,298)	-	1,285,369
Center depreciable capital assets, at cost	20,632,451	149,641	622,298	(94,701)	21,309,689
Center total cost of capital assets	21,024,741	1,665,018	-	(94,701)	22,595,058
Less accumulated depreciation	(12,765,634)	(966,378)	-	87,952	(13,644,060)
Center capital assets, net	<u>\$ 8,259,107</u>	<u>698,640</u>	<u>-</u>	<u>(6,749)</u>	<u>8,950,998</u>

**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS**  
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**NOTE 4. CAPITAL ASSETS (CONTINUED)**

	Year Ended June 30, 2015				Ending Balance
	Beginning Balance	Additions	Transfers	Retirements	
Center capital assets not being depreciated:					
Land	\$ 111,000	-	-	-	111,000
Construction in Progress	962,684	284,513	(965,907)	-	281,290
	<u>\$ 1,073,684</u>	<u>284,513</u>	<u>(965,907)</u>	<u>-</u>	<u>392,290</u>
Center depreciable capital assets:					
Land and land improvements	\$ 1,006,908	-	67,116	-	1,074,024
Building and building improvements	12,400,673	-	409,246	-	12,809,919
Building service equipment	3,694,361	-	507,023	-	4,201,384
Major moveable equipment	1,958,044	161,546	(19,604)	(107,541)	1,992,445
Fixed equipment	554,679	-	-	-	554,679
Total depreciable capital assets	<u>19,614,665</u>	<u>161,546</u>	<u>963,781</u>	<u>(107,541)</u>	<u>20,632,451</u>
Less accumulated depreciation for:					
Land improvements	(384,072)	(82,956)	-	-	(467,028)
Building and building improvements	(8,716,308)	(485,827)	-	-	(9,202,135)
Building service equipment	(944,537)	(289,126)	-	-	(1,233,663)
Major moveable equipment	(1,762,490)	(66,094)	2,126	107,541	(1,718,917)
Fixed equipment	(99,461)	(44,430)	-	-	(143,891)
Total accumulated depreciation	<u>(11,906,868)</u>	<u>(968,433)</u>	<u>2,126</u>	<u>107,541</u>	<u>(12,765,634)</u>
Center depreciable capital assets, net	<u>\$ 7,707,797</u>	<u>(806,887)</u>	<u>965,907</u>	<u>-</u>	<u>7,866,817</u>
Capital asset summary:					
Center capital assets not being depreciated	\$ 1,073,684	284,513	(965,907)	-	392,290
Center depreciable capital assets, at cost	19,614,665	161,546	963,781	(107,541)	20,632,451
Center total cost of capital assets	20,688,349	446,059	(2,126)	(107,541)	21,024,741
Less accumulated depreciation	(11,906,868)	(968,433)	2,126	107,541	(12,765,634)
Center capital assets, net	<u>\$ 8,781,481</u>	<u>(522,374)</u>	<u>-</u>	<u>-</u>	<u>8,259,107</u>



**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS**  
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**June 30, 2016 and 2015**

**NOTE 5. COMPENSATED ABSENCES**

Qualified Center employees are entitled to accrue sick leave and annual leave based on their Full Time Equivalent (FTE) status.

*Sick Leave.* Full-time employees accrue four hours of sick leave each two-week pay period (13 days per annum) up to a maximum of 1,040 hours to be used for major and minor sick leave. Seven of these days are accumulated into a minor sick leave bank. Part-time employees who are at least 0.5 FTE earn sick leave on a prorated basis each pay period. At June 30 of each year, employees have the opportunity to exchange minor sick leave for annual leave or major sick leave, or cash all hours accumulated in excess of 24 hours of minor sick leave and 1,040 hours of major sick leave on an hour-for-hour basis. At termination, only employees who retire from the Center and qualify under Center policy or estates of employees who die as the result of a compensable occupational illness or injury are eligible for payment of unused accumulated hours earned under the Center's plan. Accrued sick leave as of June 30, 2016 and 2015 approximates \$386,781 and \$420,200, respectively, is computed by multiplying each employee's current hourly rate by the number of hours accrued.

Major and minor sick leave balances earned by the consolidated employees (personnel employed by UNM prior to July 2000, employed by the Center thereafter) under the UNM plan were transferred to the Center. Under the UNM plan, only employees hired prior to July 1, 1984 were eligible to accrue major sick leave. Eligible employees accrued sick leave each pay period at an hourly rate, which was based on their date of hire and employment status.

The excess minor sick leave hours carried over from UNM were converted to cash in December 2000, at a rate equal to 50% of the employee's hourly wage, multiplied by the number of hours converted. Upon retirement, all minor sick leave hours in excess of 600 are paid at a rate equal to 50% of the employee's hourly wage multiplied by the number of hours in excess of 600 unused minor sick leave hours based on FTE status, not to exceed 440 hours of such sick leave.

Immediately upon retirement or death, a consolidated employee is entitled to receive cash payment for unused major sick leave hours in excess of 1,040 at a rate equal to 28.5% of the employee's hourly wage multiplied by the number of hours in excess of 1,040 major sick leave hours based on FTE status. Partial hours are rounded to the nearest full hour.

**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016 and 2015**

**NOTE 5. COMPENSATED ABSENCES (CONTINUED)**

*Annual Leave.* Full-time employees accrue annual leave based on their length of employment up to a maximum of 480 hours. Part-time employees who are at least 0.5 FTE earn annual leave on a pro-rata basis each pay period. At June 30 of each year, employees have the opportunity to exchange for cash up to 80 annual leave hours accumulated in excess of 240 hours. At termination, employees are eligible for payment of unused accumulated hours, not to exceed 480 hours. Accrued annual leave as of June 30, 2016 and 2015 approximates \$1,331,000 and \$1,332,000, respectively. This amount is computed by multiplying each employee's current hourly rate by the number of hours accrued.

Upon retirement, death, or involuntary termination, a consolidated employee is entitled to receive cash payment for annual leave earned prior to consolidation up to a maximum of 252 hours at a rate equal to 50% of the employee's hourly wage. Upon voluntary termination, a maximum of 168 hours is paid out at a rate equal to 50% of the employee's hourly wage.

During the years ended June 30, 2016 and 2015, the following changes occurred in accrued compensated absences:

<b>Balance</b>			<b>Balance</b>
<b>July 1, 2015</b>	<b>Increase</b>	<b>Decrease</b>	<b>June 30, 2016</b>
<u>\$ 1,779,796</u>	<u>2,130,844</u>	<u>(2,158,130)</u>	<u>1,752,510</u>
<b>Balance</b>			<b>Balance</b>
<b>July 1, 2014</b>	<b>Increase</b>	<b>Decrease</b>	<b>June 30, 2015</b>
<u>\$ 1,513,509</u>	<u>2,387,914</u>	<u>(2,121,627)</u>	<u>1,779,796</u>

Accrued compensated absences are included in "Accrued compensation and benefits" in the accompanying financial statements. The balances above include annual leave and sick leave, disclosed above, in addition to compensatory time (accrued time) and holiday, totaling approximately \$34,904 and \$27,600 in fiscal years 2016 and 2015, respectively. The portion of accrued compensated absences due after one year is not material and, therefore, is not presented separately.

**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 6. NET PATIENT SERVICE REVENUES**

The majority of the Center's revenue is generated through agreements with third-party payors that provide for reimbursement to the Center at amounts different from billed charges. Approximately 81% and 74%, respectively, of the Center's gross patient revenues for the fiscal years ended 2016 and 2015 were derived from the Medicare and Medicaid programs, the continuations of which are dependent upon governmental policies. With the implementation of Medicare Part C, the Center experienced a decline in Medicare Fee for Service (FFS) revenues with an associated increase in Managed Medicare revenues as patients elected coverage under a Medicare HMO. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded revenue estimates could change as a result of regulatory review. Contractual adjustments under third-party reimbursement programs represent the difference between the Center's billings at established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement from major third-party payors follows:

*Medicare* – Inpatient psychiatric care services rendered to Medicare program beneficiaries are paid on a prospectively established per-diem rate. The Centers for Medicare and Medicaid Services (CMS) reimburses the Center for outpatient services at a prospectively established rate using Ambulatory Payment Classifications (APCs). The basis for payment under APCs are the Common Procedural Terminology coding system (CPT) and Healthcare Common Procedure Coding System (HCPCS).

*Medicaid* – The Center has reimbursement agreements with certain healthcare contractors that have contracted to provide services to Medicaid beneficiaries enrolled under the State of New Mexico (managed care) program. The basis for reimbursement under these agreements is a per-diem rate that includes both acute inpatient and partial hospital. For outpatient services, charges are paid based on a fee schedule determined by CPT codes, or a percentage of billed charges.

**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016 and 2015**

**NOTE 6. NET PATIENT SERVICE REVENUES (CONTINUED)**

*Other* – The Center has also entered into reimbursement agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for reimbursement under these agreements includes prospectively determined rates-per-discharge, discounts from established charges, and prospectively determined per-diem rates.

A summary of net patient service revenues follows for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Charges at established rates	\$ 64,390,559	66,939,342
Charity care	(10,497,258)	(3,937,363)
Contractual adjustments	(28,515,502)	(27,082,844)
Provision for doubtful accounts	(667,413)	(4,084,866)
Net patient service revenues	<u>\$ 24,710,386</u>	<u>31,834,269</u>

*Estimated Third-Party Payor Settlements* – Effective July 1, 2005, acute inpatient services provided under the Medicaid Managed Care program are paid at negotiated rates and are not subject to retroactive settlement.

Through June 30, 2016, services rendered to the Medicaid beneficiaries that were covered under the Medicaid fee-for-service (FFS) program were paid under a cost-reimbursement methodology subject to a cost-per-discharge limitation. The Center was reimbursed at tentative rates throughout the year with final settlement determined after submission of the annual cost report and audit thereof by the Medicaid audit agent. Medicaid cost reports have been final settled for all fiscal years through 2013 with an open settlement to the Centers amounting to \$77,337 for fiscal year 2015. Retroactively calculated contractual adjustments arising under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 6. NET PATIENT SERVICE REVENUES (CONTINUED)**

The Center is reimbursed from the Medicare programs for certain reimbursable items at prospectively established rates with final settlement determined after submission of annual cost reports by the Center. The annual cost reports are subject to audit by the Medicare intermediary. Cost reports through 2011, excluding fiscal year 2005 and 2010, have been final settled for the Medicare program, with open fiscal years from 2012-2016.

Current year Medicare cost report settlement estimates, settlements of prior-year cost reports, and changes in prior -year estimates resulted in net increases to net patient service revenue of approximately \$1,358,000 and \$1,428,000 for the years ended June 30, 2016 and 2015, respectively. For the fiscal years 2016 and 2015 cost reports, \$820,271 and \$910,036 were accrued for Medicare as estimates, respectively.

Management believes that these estimates are adequate. Laws and regulations governing the Medicare program are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Estimates are continually monitored and reviewed, and as settlements are made or more information is available to improve estimates, differences are reflected in current operations.

**NOTE 7. CHARITY CARE**

The Center maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. The following information measures the level of charity care provided during the years ended June 30:

	<u>2016</u>	<u>2015</u>
Charges foregone, based on established rates	\$ 10,497,000	3,937,000
Estimated costs and expenses incurred to provide charity care	8,291,740	2,935,000
Equivalent percentage of charity care charges foregone to total gross revenue	16%	6%

**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS**  
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**NOTE 8. MALPRACTICE INSURANCE**

As a part of UNM, the Center enjoys immunity from tort liability except as waived by the New Mexico legislature. In this connection, under the New Mexico Tort Claims Act (NMTCA), the New Mexico Legislature waived the State's and the Center's immunity from liability for claims arising out of negligence out of the operation of the Center, the treatment of the Center's patients, and the healthcare services provided by Center employees. In addition, the NMTCA limits, as an integral part of this waiver of sovereign immunity, the amount of damages that can be assessed against the Center on any tort claim including medical malpractice, professional or general liability claims.

The NMTCA provides that total liability for all claims that arise out of a single occurrence shall not exceed \$700,000 set forth as follows: (a) \$200,000 for real property; (b) up to \$300,000 for past and future medical and medically related expenses; and (c) up to \$400,000 for past and future noneconomic losses (such as pain and suffering) incurred or to be incurred by the claimant. While the language of the NMTCA does not expressly provide for third party claims such as loss of consortium, the New Mexico appellate court decisions have allowed claimants to seek loss of consortium. As a result, if loss of consortium claims are presented, those claims cannot exceed \$350,000 in the aggregate. Thus, it appears that if a claim presents both direct claims and third party claims, the maximum exposure of the Public Liability Fund, and therefore UNM Hospitals, cannot exceed \$1,050,000. The NMTCA prohibits the award of punitive or exemplary damages against the Center.

The NMTCA requires the State Risk Management Division (RMD) to provide coverage to the Center for those torts where the Legislature has waived the State's immunity from liability up to the damages limits of the NMTCA, as described above, plus the cost incurred in defending any claims and/or lawsuits (including attorney's fees and expenses), with no deductible and with no self-insured retention by the Center. As a result of the foregoing, the Center is fully covered for claims and/or lawsuits relating to medical malpractice or professional liability occurring at the Center.

**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS**  
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**NOTE 9. RELATED-PARTY TRANSACTIONS**

UNM provides certain administrative and medical support services for the Center, and the Center provides the use of the Center's facilities and administrative services to UNM's teaching personnel. The Center reported accounts receivable from the University of New Mexico's Medical Group (UNMMG) for services rendered, in the amount of \$45,035 and \$0, in fiscal years 2016 and 2015 respectively. Also, the Center reported a liability to UNM in the amount of \$2,516,499 and \$272,055 in fiscal years 2016 and 2015 respectively. The Center's expenses for services rendered during the years ended June 30, 2016 and 2015 amounted to approximately \$10,252,000 and \$8,528,000, respectively. The Hospital also provides administrative services, which primarily include accounting functions such as payroll and accounts payable processing as well as cash management activities. In addition, the Hospital provides medical support services and goods for the Center including laboratory, radiology, and pharmaceuticals, which is reflected in the revenues/expenses of the Center. This activity is reflected net in due to/from affiliates.

**NOTE 10. DEFINED CONTRIBUTION PLANS**

The Center has a defined contribution plan covering eligible employees, which provides retirement benefits. The name of the plan is UNM Hospital Tax Sheltered Annuity Plan, formerly known as the University of New Mexico Hospital/Bernalillo Medical Center Tax Sheltered Annuity Plan. The Center contributes either 5.5% or 7.5% of an employee's salary to the plan, depending on employment level. The plan was established by the Board of Trustees and can be amended at its discretion. The plan is administered by UNM Hospitals Human Resources Department.

The expense for the defined contribution plan was \$1,080,000, \$1,025,000 and \$932,000, for the fiscal years ended June 30, 2016, 2015 and 2014, respectively. Total employee contributions under this plan were \$1,189,000, \$1,045,000 and \$1,005,000, in fiscal years 2016, 2015, and 2014, respectively.

The Center also has a deferred compensation plan, called the UNM Hospitals 457(b) Deferred Compensation Plan, which provides employees with additional retirement savings plan. The Center does not contribute to this plan. Employees can make voluntary contributions to this plan. The plan was established by the Board of Trustees and can be amended at its discretion. The plan is administered by UNM Hospitals Human Resources Department.

There was no expense for the deferred compensation plan in fiscal years 2016, 2015 and 2014, respectively, as the Center does not contribute to this plan. Total employee contributions under this plan were \$120,000, \$115,000, and \$152,000, in fiscal years 2016, 2015 and 2014, respectively.

**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015**

**NOTE 10. DEFINED CONTRIBUTION PLANS (CONTINUED)**

In addition, the Center has a 401(a) defined contribution plan, called the UNM Hospital 401(a) Plan, which was established for the purpose of providing retirement benefits for the eligible participants and their beneficiaries. The 401(a) plan allows for tax-deferred employer contributions on a percentage-of-salary basis. The plan was established by the UNMH Board of Trustees and can be amended at its discretion. All assets of the plan are held in a trust fund, are not considered hospital assets, and are under the direction of a Plan Administrator.

The expense for the 401(a) defined contribution plan was \$16,000, \$6,000 and \$10,000 in fiscal years 2016, 2015 and 2014, respectively. Only the Center contributes to this plan.

**NOTE 11. DEFINED BENEFIT PLAN- EDUCATIONAL RETIRMENT BOARD**

A small portion (approximately 21) of the Center's full-time employees participates in an educational employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978).

*Plan description.* ERB was created by the State's Educational Retirement Act, Section 22-11-1 through 22-11-52, NMSA 1978, as amended, to administer the New Mexico Educational Employees' Retirement Plan (Plan). The Plan is a cost-sharing, multiple employer plan established to provide retirement and disability benefits for certified teachers and other employees of the state's public schools, institutions of higher learning, and agencies providing educational programs. The Plan is a pension trust fund of the State of New Mexico. The New Mexico legislature has the authority to set or amend contribution rates.

ERB issues a publicly available financial report and a comprehensive annual financial report that can be obtained at [www.nmerb.org](http://www.nmerb.org).



**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS  
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**NOTE 11. DEFINED BENEFIT PLAN- EDUCATIONAL RETIREMENT BOARD  
(CONTINUED)**

*Benefits Provided.* The Plan provides retirement and disability benefits. Retirement benefits are determined 2.35% of the employee's final average annual salary multiplied by the employee's years of service. Employees employed before July, 1, 2010 are eligible to retire when one of the following events occur: the employee's age and earned service credit sum to 75 or more; the employee is at least sixty-five years of age and has five or more years of earned service credit; or the employee has service credit totaling 25 years or more. For employees hired on or after July 2, 2010 are eligible to retire when one of the following events occur: the employee's age and earned service credit sum to 80 or more; the employee is at least sixty-seven years of age and has five or more years of earned service credit; or the employee has service credit totaling 30 years or more. Employees are eligible for service-related disability benefits provided he or she has credit for at least 10 years of service and the disability is approved by the Plan.

*Contributions.* For the fiscal year ended June 30, 2016 employers contributed 13.90% of employees' gross annual salary to the Plan, and 10.70% of participating employees' gross annual salary for those earning more than \$20,000. Employees earning \$20,000 or less contributed 7.90%. For fiscal year ending June 30, 2016, employers will continue to contribute 13.90%, and employees earning more than \$20,000 will contribute 10.70% of the gross annual salary. Employees earning \$20,000 or less will continue to contribute 7.9%. The Center's cash contributions to the ERB for fiscal years ended June 30, 2016, 2015, and 2014 were approximately \$169,000, \$180,000, and \$206,000, respectively.

For fiscal years 2016 and 2015, the Center reported \$2,925,000 and \$3,063,000 respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and June 30, 2014 respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Center's proportion of the net pension liability was based on a projection of the Center's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the Center's proportion was 0.04516%, which was a decrease of 0.00852% from its 0.05368 % proportion measured as of June 30, 2014. At June 30, 2014, the Center's proportion was .05368%, which was a decrease of 0.005% from its proportion measured as of June 30, 2013.

**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS**  
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**NOTE 11. DEFINED BENEFIT PLAN- EDUCATIONAL RETIREMENT BOARD**  
**(CONTINUED)**

For fiscal years 2016 and 2015, the Center recognized pension expense of \$193,000 and \$97,000, respectively. The Center also reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>June 30, 2016</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ —	58,954
Net difference between projected and actual earning on pension plan investments	162,679	208,826
Changes in assumptions	100,600	—
Changes in proportion and differences between Hospital contributions and proportionate share of contributions	—	801,440
Hospital contributions subsequent to the measurement date	169,077	—
	<u>\$ 432,356</u>	<u>1,069,220</u>
<b>June 30, 2015</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ —	45,627
Net difference between projected and actual earning on pension plan investments	—	278,434
Changes in proportion and differences between Hospital contributions and proportionate share of contributions	—	331,034
Hospital contributions subsequent to the measurement date	178,603	—
	<u>\$ 178,603</u>	<u>655,095</u>

**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016 and 2015**

**NOTE 11. DEFINED BENEFIT PLAN- EDUCATIONAL RETIREMENT BOARD**  
**(CONTINUED)**

The \$178,603 from fiscal year 2015 that was reported as deferred outflows of resources related to pensions resulting from Center contributions subsequent to the measurement date was recognized as a reduction of the net pension liability in the current year. The \$169,077 reported as deferred outflows of resources related to pensions resulting from Center contributions subsequent to the measurement date at year end June 30, 2016, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources in fiscal year 2016 related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2017	\$ (384,429)
2018	(352,442)
2019	(109,870)
2020	40,801
	<u>\$ (805,940)</u>

*Actuarial assumptions.* The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<b>Inflation</b>	3.00%
<b>Salary increases</b>	Composed of 3.00% inflation, plus 1.25% productivity increase rate, plus step rate promotional increases for members with less than ten years of service.
<b>Investment rate of return</b>	7.75 %
<b>Mortality</b>	90% of RP-2000 Combined Mortality Table with White Collar Adjustments, projected to 2015 using Scale AA (with one-year setback for females.

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2015. The liabilities reflect the impact of Senate Bill 115, signed into law on March 29, 2013, and new assumptions adopted by the Board of Trustees on June 12, 2015.

**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016 and 2015**

**NOTE 11. DEFINED BENEFIT PLAN- EDUCATIONAL RETIREMENT BOARD**  
**(CONTINUED)**

The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.); application of key economic projections (inflation, real growth, Dividends, etc.); structural themes (supply and demand imbalances, capital flows, etc.) These items are developed for each major asset class. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following tables:

<u>Asset Class</u>	<u>Target Allocation</u>
Equities - Domestic	20%
Equities - International	15%
Fixed Income	28%
Alternatives	36%
Cash	1%
	<u>100%</u>

*Discount rate.* A single discount rate of 7.75% was used to measure the total pension liability as of June 30, 2015 and 2014. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were sufficient to finance all projected future benefit payments of current Plan membership. Therefore, the long term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels. Additionally, contributions received through Alternative Retirement Plan (ARP) are included in the projection of cash flows. ARP contributions are assumed to remain a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five-year contribution history.

*Sensitivity of the Center's proportionate share of the net pension liability to change in the discount rate.* The following table provides the sensitivity of the net pension liability to changes in the discount rate. In particular, the table presents the Plan's net pension liability, if it were calculated using a single discount rate that is one-percentage-point lower (6.75%) or one-percentage-point higher (8.75%) than the single discount rate:

**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016 and 2015**

**NOTE 11. DEFINED BENEFIT PLAN- EDUCATIONAL RETIREMENT BOARD**  
**(CONTINUED)**

	June 30, 2016		
	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
Center's proportionate share of the net pension liability	3,935,527	2,924,809	2,075,702

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan financial report available at [www.nmerb.org](http://www.nmerb.org).

**NOTE 12. OTHER POSTEMPLOYMENT BENEFIT PLAN**

Prior to fiscal year 2016, the Hospital and the Center participated in a single employer defined-benefit plan that offered postemployment healthcare coverage to eligible retirees and their dependents. As of December 31, 2015 this defined benefit plan was terminated and is no longer available to employees or employee dependents of either the Hospital or the Center.

For fiscal year 2015, the applicable monthly retiree contribution rates are provided in the tables below:

	Retiree (coverage extension/compensated absence accrual period)			Retiree (after coverage extension)		
	Standard Network	Extended Network	Delta Dental	Standard Network	Extended Network	Delta Dental
Retiree only	\$ —	470.00	31.00	767.00	2,035.00	31.00
Retiree + Spouse/DP	299.00	1,259.00	66.00	1,572.00	4,166.00	66.00
Retiree + Children	142.00	845.00	—	1,150.00	3,048.00	—
Retiree + family	328.00	1,337.00	98.00	1,650.00	4,373.00	98.00

For fiscal year 2015, the Hospital's postemployment benefit plan included employees from the Center. The OPEB cost and net OPEB obligation (NOO) were calculated and allocated to each reporting entity based on the Hospital's and Center's employee data as of July 1, 2014. In 2015, the allocation was as follows: the Hospital – 92% and the Center – 8%. The OPEB cost and NOO information presented below were the Center's calculated portion for fiscal year 2015.

**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016 and 2015**

**NOTE 12. OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

In fiscal year 2015, the NOO was the cumulative difference between the annual required contribution (ARC) and the employer's contribution to the plan. The Center's NOO for the fiscal year ended 2015 was equal to \$616,219, which was determined based on the applicable FTE of the entity as of June 30, 2015. The plan was funded on a pay-as-you-go basis; the NOO for fiscal year 2015 was as follows:

	<b>2015</b>
	<b>Unfunded</b>
NOO - beginning of year	\$ 586,223
ARC	37,000
Interest on prior year NOO	19,910
Adjustment to ARC	<u>(23,058)</u>
Annual OPEB cost	33,852
Employer contributions	<u>(3,856)</u>
Increase in NOO	<u>29,996</u>
NOO - end of year	<u>\$ 616,219</u>

For fiscal year 2015, the annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the NOO were as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
June 30, 2015	\$ 33,852	—%	\$ 616,219

Upon termination of the OPEB plan, the June 30, 2015 benefit liability of \$616,219 was reversed and at year end June 30, 2016 the liability was at \$0. A gain was also reported as a special item in Statement of Revenues, Expenses, and Changes in Net Position in the amount of \$616,219.

**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016 and 2015**

**NOTE 13. COMMITMENTS**

The Center has operating leases, primarily for office space. Rental expenses under operating leases amounted to approximately \$365,000 and \$359,000 in 2016 and 2015, respectively.

Future minimum lease commitments for operating leases for the years subsequent to June 30, 2016 under non-cancelable operating leases and memorandums of understanding are as follows:

	<u>Amount</u>
Year end June 30,	
2017	\$ 370,184
2018	377,546
2019	<u>383,665</u>
	<u>\$ 1,131,395</u>

**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS**  
**COMPARISON OF BUDGETED AND ACTUAL REVENUES AND EXPENSES**  
**Years Ended June 30, 2016 and 2015**

**Schedule 1**

	<b>Budgeted (Original)</b>	<b>Budgeted (Final)</b>	<b>Actual</b>	<b>Budget Variance</b>
Operating revenues				
Net patient service	\$ 30,848,550	26,227,354	24,710,386	(1,516,968)
Other operating revenues	1,292,930	1,136,527	1,195,240	58,713
Total operating revenues	<u>32,141,480</u>	<u>27,363,881</u>	<u>25,905,626</u>	<u>(1,458,255)</u>
Operating expenses	<u>(54,992,703)</u>	<u>(51,910,835)</u>	<u>(52,012,800)</u>	<u>(101,965)</u>
Operating loss	<u>(22,851,223)</u>	<u>(24,546,954)</u>	<u>(26,107,174)</u>	<u>(1,560,220)</u>
Nonoperating revenues	<u>20,951,064</u>	<u>24,547,144</u>	<u>21,313,161</u>	<u>(3,233,983)</u>
(Decrease) increase in net assets before special item	(1,900,159)	190	(4,794,013)	(4,794,203)
Special Item (Note 12)	—	—	616,219	616,219
(Decrease) increase in net assets	<u>\$ (1,900,159)</u>	<u>190</u>	<u>(4,177,794)</u>	<u>(4,177,984)</u>

Note A: The Center prepares a budget for each year, using the accrual basis of accounting, which is subject to approval by the Board of Trustees and the UNM Board of Regents. The amount budgeted for the operations is included in the UNM budget and submitted to the New Mexico Commission on Higher Education for approval. All revisions to the approved budget must be approved by the parties included in the original budget process, and such revisions are made at the total revenue and expense level. The budget is controlled at the major administrative functional area. There is no carryover of budgeted amounts from one year to the next.

*See Independent Auditors' Report.*



**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS**  
**SCHEDULE OF THE CENTER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

**Schedule 2**

	<u>2016</u>	<u>2015</u>
Center's proportion of the net pension liability	0.04516%	0.05368%
Center's proportionate share of the net pension liability	\$ 2,924,809	3,062,832
Center's covered-employee payroll	\$ 1,232,876	1,479,662
Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	237%	207%
Plan fiduciary net position as a percentage of the total pension liability	63.97%	66.54%

*See Independent Auditors' Report.*

**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS  
SCHEDULE OF CENTER CONTRIBUTIONS**

**Schedule 3**

	<b>As of and for the Year Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ 169,077	203,627
Contributions in relation to the contractually required contribution	<u>169,077</u>	<u>178,415</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>25,212</u>
Center's covered-employee payroll	\$ 1,209,966	1,232,876
Contributions as a percentage of covered-employee payroll	13.97%	14.47%

*See Independent Auditors' Report.*

**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS**  
**POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS SCHEDULE OF FUNDING PROGRESS**  
**Years Ended June 30, 2016 and 2015**  
**(Unaudited)**

Schedule 4

<b>Fiscal Year End June 30, 2015</b>						
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Liability (AAL) Unit Credit Method (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
July 1, 2014	\$ -	296,560	296,560	—	\$ 18,938,403	1.57%
July 1, 2013	-	335,250	335,250	—	20,528,181	1.63%
July 1, 2012	-	321,000	321,000	—	20,050,507	1.60%
July 1, 2011	-	187,000	187,000	—	18,353,770	1.02%
July 1, 2009	-	1,388,000	1,388,000	—	21,038,014	6.60%
July 1, 2008	-	462,000	462,000	—	22,366,207	2.07%
July 1, 2007	-	522,360	522,360	—	18,445,036	2.83%

Note A: The above AAL and covered payroll balances represent only the Center's portion of the plan.

Note B: For fiscal years beginning July 1, 2009, the Center's actuarial valuations are prepared biennially with the exception of fiscal year 2013.

Note C: As of December 31, 2015, the OPEB liability was terminated and the gain in fiscal year 2016 is reported as a special item in the amount of \$616,219 in the Statement of Revenues, Expenses, and Changes in Net Position. Also see Note 12 in the accompanying notes to the Financial Statements.

*See Independent Auditors' Report.*

UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS  
 CONTRACTS ENTERED INTO GREATER THAN \$60,000

Procurement Type	Vendors that responded	In-State	Out-of-State	Residential Preference	In-state vs Veteran Preference	Scope of Work	Vendor(s) Awarded	Amount of Contract	Contract Effective Date	Contract End Date
Vizient MS0231	Medline Ind.	N/A	N/A	N/A	N/A	Custom Procedure Packs	Medline Ind.	\$11,000,000.00	4/30/2016	4/30/2021
Bid B75-16	Sorin Group	No	yes	No	No	Sutureless Tissue Heart Valve	Sorin Group USA	\$70,000.00	4/6/2016	4/5/2019
ITB B77-16	Amerizon Wireless	no	yes	no	n/a	UNMH Radio Conversion	AMERIZON WIRELESS	\$187,367.00	4/22/2016	4/21/2017
Sole Source	Infor US	n/a	n/a	n/a	n/a	Lawson Cloud Upgrade X Program	INFOR (US), INC.	\$2,500,000.00	4/25/2016	4/24/2021
Novation	Standard Textile	no	yes	no	n/a	ControlTex Linen Management Supportive Services	STANDARD TEXTILE CO	>60	4/12/2016	6/30/2018
RFP P320-15	Cerner (no other offerors)	no	yes	no	n/a	Home Health Hospice Software	CERNER	\$362,505.00	4/1/2016	Duration of Contract
GSA (GS-25F-0062L)	Xerox	no	yes	no	n/a	Hospital Data Center; Equipment, Maintenance, Consumables	XEROX	\$226,953.00	5/4/2016	5/3/2021
Open Market/RFP335-15 no response	Concentra	no	yes	no	n/a	Employee Drug Testing Lab Services	CONCENTRA	>60k	5/13/2016	5/16/2019
Open Market/RFP335-15 no response	Alere Toxicology	no	yes	no	n/a	Employee Drug Testing Lab Services	ALERE TOXICOLOGY	>60k	5/31/2016	5/30/2017
RFP P340-16	1) Tactical Digital 2) Tig 3) Ricoh 4) Konica Minolta	1) no 2) no 3) no 4) no	1) no 2) no 3) no 4) no	1) no 2) no 3) no 4) no	1) n/a 2) n/a 3) n/a 4) n/a	Infor Lawson Upgrade?Migration Services	AVAAP	\$173,637.50	5/31/2016	5/30/2017
RFP P333-15	1) AVAAP 2) Hyridge Solutions	1) no 2) no	1) yes 2) yes	1) no 2) no	1) n/a 2) n/a	Enterprise Electronic Fax (E-Fax)	RICOH	\$136,000.00	6/30/2016	6/29/2017
RFP P348-16	1) Maxim Staffing 2) Nursefinders 3) MGA 4) Cross Country 5) Accountable Healthcare	1) no 2) no 3) no 4) no no	1) no 2) no 3) no 4) no 5) no	1) yes 2) no 3) no 4) no 5) no	1) n/a 2) n/a 3) n/a 4) n/a 5) n/a	Staffing Agency Recruitment Services for Temporary, Short-Term Nurse Professionals & Unlicensed Support Staff	MAXIM STAFFING	\$175,000.00	6/30/2016	6/30/2019
RFP P348-16	1) Maxim Staffing 2) Nursefinders 3) MGA 4) Cross Country 5) Accountable Healthcare	1) no 2) no 3) no 4) no no	1) no 2) no 3) no 4) no 5) no	1) yes 2) no 3) no 4) no 5) no	1) n/a 2) n/a 3) n/a 4) n/a 5) n/a	Staffing Agency Recruitment Services for Temporary, Short-Term Nurse Professionals & Unlicensed Support Staff	NURSEFINDERS	\$100,000.00	6/30/2016	6/30/2019

Procurement Type	Vendors that responded	In-State	Out-of-State	Residential Preference	In-state vs Veteran Preference	Scope of Work	Vendor(s) Awarded	Amount of Contract	Contract Effective Date	Contract End Date
RFP P348-16	1) Maxim Staffing 2) Nursefinders 3) MGA 4) Cross Country 5) Accountable Healthcare	1) no 2) no 3) no 4) no 5) no	1) no 2) no 3) no 4) no 5) no	1) yes 2) no 3) no 4) no 5) no	1) n/a 2) n/a 3) n/a 4) n/a 5) n/a	Staffing Agency Recruitment Services for Temporary, Short-Term Nurse Professionals & Unlicensed Support Staff	MGA	\$175,000.00	6/30/2016	6/30/2019
RFP P348-16	1) Maxim Staffing 2) Nursefinders 3) MGA 4) Cross Country 5) Accountable Healthcare	1) no 2) no 3) no 4) no 5) no	1) no 2) no 3) no 4) no 5) no	1) yes 2) no 3) no 4) no 5) no	1) n/a 2) n/a 3) n/a 4) n/a 5) n/a	Staffing Agency Recruitment Services for Temporary, Short-Term Nurse Professionals & Unlicensed Support Staff	CROSSCOUNTRY	\$200,000.00	6/30/2016	6/30/2019
RFP P348-16	1) Maxim Staffing 2) Nursefinders 3) MGA 4) Cross Country 5) Accountable Healthcare	1) no 2) no 3) no 4) no 5) no	1) no 2) no 3) no 4) no 5) no	1) yes 2) no 3) no 4) no 5) no	1) n/a 2) n/a 3) n/a 4) n/a 5) n/a	Staffing Agency Recruitment Services for Temporary, Short-Term Nurse Professionals & Unlicensed Support Staff	ACCOUNTABLE HEALTHCARE	\$100,000.00	6/30/2016	6/30/2019
Sole Source	Cerner	no	yes	no	n/a	National Decision Support ACR Criteria	CERNER	\$61,120.00	5/13/2016	5/12/2021
IFB B49-15	1) Candela Corporation 2) Quanta Aesthetic Lasers	1) no 2)No	1) Yes 2) Yes	1) No 2) No	1) N/A 2)N/A	Nd Yag Laser with Specific Wavelength Specifications	Candela Corporation	Estimated \$125,000	7/15/2015	7/31/2018
IFB B50-15	1) Medtronic	No	Yes	No	N/A	Cryocath Ablation System	Medtronic	Estimated \$200,000	7/27/2015	7/27/2018
IFB B51-15	1) Acclarent	No	Yes	No	N/A	Airway and Sinus Balloon Stents Supplies	Acclarent Inc.	Estimated \$68,118	9/25/2015	9/24/2018
IFB B52-15	1) Biomet 2) Depuy Synthes	1) no 2)No	1) Yes 2) Yes	1) No 2) No	1) N/A 2)N/A	Rib and Sternal Plating Implants and Instrumentation inclusive of sternal fixation products	Biomet	Estimated \$180,000	8/31/2015	8/31/2018
IFB B52-15	1) Biomet 2) Depuy Synthes	1) no 2)No	1) Yes 2) Yes	1) No 2) No	1) N/A 2)N/A	Rib and Sternal Plating Implants and Instrumentation inclusive of sternal fixation products	Depuy Synthes	Estimated \$180,000	6/14/2016	6/30/2019
IFB B53-15	1) Medtronic	No	Yes	No	N/A	Mechanical, Tissue, and Trans-catheter Heart Valves	Medtronic USA	Estimated \$900,000	8/17/2015	8/17/2018
IFB B54-15	1) Medtronic	No	Yes	No	N/A	Open and Minimally Invasive Heart Retractors and Positioners with accompanying Non-Disposable Instrumentation	Medtronic USA	Estimated \$210,000	8/17/2015	8/10/2018
IFB B55-15	1) Medtronic	No	Yes	No	N/A	Vascular AAA Stent System indicated for Specific Access Techniques	Medtronic USA	Estimated \$240,000	10/6/2015	10/6/2018

UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS  
 CONTRACTS ENTERED INTO GREATER THAN \$60,000

Procurement Type	Vendors that responded	In-State	Out-of-State	Residential Preference	In-state vs Veteran Preference	Scope of Work	Vendor(s) Awarded	Amount of Contract	Contract Effective Date	Contract End Date
IFB B59-15	1)MVAP	No	Yes	No	N/A	Electroencephalographic (EEG) Testing Supplies	MVAP Medical Supplies INC,	Estimated \$110,061	9/4/2015	9/4/2018
IFB B60-15	1) NinePoint Medical, Inc	No	Yes	No	N/A	NvisionVLE Advanced OCT	NinePoint Med	Estimated \$245,000	8/21/2015	8/21/2018
IFB B61-15	1) Sandhill Scientific	No	Yes	No	N/A	FibroScan VCTE Liver Stiffness Testing System	Sandhill Scientific	Estimated \$200,000	9/1/2015	9/1/2016
IFB B62-15	1) Baxter	No	Yes	No	N/A	DoseEdge Pharmacy Workflow Management System	Baxter Healthcare Corporation	Estimated \$249,000	3/11/2016	3/11/2021
IFB B63-15	1) Cianna Medical	No	Yes	No	N/A	Non-Radioactive Electromagnetic Surgical Guidance System for Breast Tissue Removal	Cianna Medical, Inc	Estimated \$150,000	10/13/2015	10/13/2018
IFB B64-15	1) LSI Solutions	No	Yes	No	N/A	Automated Suture Fastening System for Minimally Invasive Heart Procedures	LSI Solutions, INC	Estimated \$134,760	1/15/2016	1/15/2019
IFB B65-15	1) Intersect ENT	No	Yes	No	N/A	Mometasone Furoate Implant for Treatment of Sinus Surgery Patients	Intersect ENT	Estimated \$135,780	10/27/2015	10/27/2017
IFB B65-15	1) DCI Donor Services 2)LifeNet Health	1) no 2)No	1) Yes 2) Yes	1) No 2) No	1) N/A 2)N/A	Cancellous, Bone, Cartilage, and Tendon products for Orthopedic Surgeries. Meshed, Non-Meshed Skin for Burn and Wound Surgeries	DCI Donor Serv	Estimated \$950,000	2/11/2016	2/1/2019
IFB B68-15	1) Just Right S	No	Yes	No	N/A	Pediatric Laparoscopic Vessel Sealer and Staplers	JustRight Surgical, LLC,	Estimated \$60,000	3/1/2016	3/1/2017
IFB B69-15	1) SpineGuard	No	Yes	No	N/A	Disposable Wireless Vertebral Cortex Perforation Detection Device for Spinal Surgeries	SpineGuard, Inc	Estimated \$180,000	12/8/2015	12/8/2018
IFB B70-15	1) Cooper Sur	No	Yes	No	N/A	Miscellaneous Surgical Disposables	Cooper Surgica	Estimated \$226,828	1/14/2016	1/14/2019
IFB B71-15	1)Integra LifeSciences	No	Yes	No	N/A	Miscellaneous General/ENT/Neuro Surgical Implants and Disposables	Integra LifeSciences	Estimated \$971,955.60	4/12/2016	12/31/2018
RFP 329-15	1) Maquet 2) Edwards	1) no 2)No	1) Yes 2) Yes	1) No 2) No	1) N/A 2)N/A	UNMH Cardiac Output Monitoring Acquisition	Edwards	Estimated \$200,000	12/11/2015	12/11/2023
RFP P330-15	1) Provation M	No	Yes	No	N/A	Gastroenterology Specific Ph	Provation MD	Estimated \$214,705	12/31/2015	12/31/2016
RFP P338-16	1) TMP 2) Career Builders 3) Page Up 4) ICIMS 5) Hodes	1) no 2)No 3)No 4)NO	1) Yes 2) Yes 3)Yes 4)Yes	1) No 2) No 3)No 4)No	1) N/A 2)N/A 3)N/A 4)N/A	Talent Acquisition Services/Products	TMP WORLDWID E ADVERTISING & COMMUNICATIONS, LLC	Estimated \$540,168	5/13/2016	12/31/2020
Novation	1) GE 2)Philips 3)Siemens	1) no 2)No 3)No	1) Yes 2) Yes 3)Yes	1) No 2) No 3)No 4)No	1) N/A 2)N/A 3)N/A	2 bi-plane angiographic rooms	Siemens	Estimated \$3,338,018	6/30/2016	6/30/2021
Novation	Baxter	No	Yes	No	N/A	Medical Supplies	Baxter Healthcare Corporation	Estimated \$606,177.95	10/1/2015	12/31/2018
UNMH P307-14 Piggy Back	Oticon	No	Yes	No	N/A	Osseo Integrated Aids Products and Accessories	Oticon	Estimated \$71,680.65	11/18/2015	1/31/2018

UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS  
 CONTRACTS ENTERED INTO GREATER THAN \$60,000

Procurement Type	Vendors that responded	In-State	Out-of-State	Residential Preference	In-state vs Veteran Preference	Scope of Work	Vendor(s) Awarded	Amount of Contract	Contract Effective Date	Contract End Date
Novation	PharMEDium	No	Yes	No	N/A	Pharmacy	PharMEDium	Estimated \$918,110.28	11/12/2015	9/30/2018
RFP1816-16	Consolidated	Y	N	Y		BBRP 1st Floor Install Vestibule West Entrance	Consolidated Builders	Estimated \$	3/24/2016	Upon Completion
Sole Source	LEICA MICR	No	Yes	No	N/A	Leica M530 OHX - Premium Surgical Microscope for ENT	LEICA MICROSYST EMS	Estimated \$949,418	4/6/2016	Upon Completion
P324-15	MSI Healthcare Partners TSIG Consulting Assurance Engineering Keyes Life Safety	NO NO Yes No	Yes No Yes No	No Yes No	No No	Life Safety Professional Services	TSIG Consulting	\$164,505.00	8/7/2015	8/6/2018
RFP 1785-16	3B Builders Consolidated Builders Insight Construction Jaynes Corporation Tanglewood Construction Vigil Contracting Services	Yes Yes Yes Yes Yes	No No No No No No No No	Yes Yes Yes Yes Yes	No No No No No No No No	UPC-PFC Shell Renovation	Jaynes Corporation	\$299,455.00	12/1/2015	Duration of Contract
RFP 1771-16	3B Builders Inc. Britton Construction, Inc Consolidated Builders of NM Insight Construction Pavilion Construction Tanglewood Construction Vigil Contracting Services	Yes Yes Yes Yes Yes Yes Yes	No No No No No No No No	Yes Yes Yes Yes Yes Yes Yes	No No No No No No No No	ASAP Counseling Clinic	Consolidated Builders Of New Mexico, LLC	\$299,000.00	11/30/2015	Duration of Contract
RFP 1830-16	BCH Construction, Inc Britton Construction, Inc. Consolidated Builders Of NM LLC Platinum Builders Corp	Yes Yes Yes Yes	No No No No No No	Yes Yes Yes Yes Yes	No No No No No No	UNMH Home Health Services	Consolidated Builders of New Mexico, LLC	\$230,000.00	5/13/2016	Duration of Contract

Procurement Type	Vendors that responded	In-State	Out-of-State	Residential Preference	In-state vs Veteran Preference	Scope of Work	Vendor(s) Awarded	Amount of Contract	Contract Effective Date	Contract End Date
RFP 1812-16	Brycon Corporation Insight Construction, LLC Jaynes Corporation Richardson & Richargon, Inc.	Yes Yes Yes Yes	No No No No	Yes Yes Yes Yes	No No No No	UNM Women's Care Clinic Renovation	Brycon Corporation	\$4,692,654.00	5/13/2016	Duration of Contract
RFP 1793-16	insight Construction, LLC Vigil Contracting	Yes Yes	No No	Yes Yes	No No	Renovation of UPC 2nd Floor Clinic	Insight Construction, Inc	\$186,000.00	12/15/2015	Duration of Contract
RFP 1761-16	Brycon Corporation Consolidated Builders of NM Insight Construction Jaynes Corporation	Yes Yes Yes	No No No No	Yes Yes Yes	No No No No	BBRP 5th Floor Ped Sedation Unit Project	Jaynes Corporation	\$339,654.00	11/24/2015	Duration of Contract
RFP 1735-15	Bradbury Stamm Construction Brycon Corporation ESA Construction, Inc. Flintco, LLC HB Construction of ABQ, Inc. Jaynes Coporation Klinger Constructors LLC Weil Construction, Inc.	Yes Yes Yes Yes Yes No	No No No No	Yes Yes Yes Yes Yes No	No No No No	Cancer Center Tenant Improvements and Buildout	Jaynes Corporation	\$6,766,711.00	10/8/2015	Duration of Contract
RFP P318-15	Surgical Directions; The Chartis Group; Kurt Salmon; Cleveland Clinic, Nagivant, Cerner	No No No No NO	Yes Yes	No	No	Clinical Practice Consultation	Surgical Directions	\$1,200,000.00		Duration of contract
RFP 339-16	Dekker Perich; FBT/HDR; Perkins Eastman; SMPC, Studio Southwest; Hartman;	Yes	yes	no (see scope)	No	Replacement Hospital Planning (required local vendor to team with a national vendor)	FBT/HDR	\$1,550,000.00	2/26/2016	Duration of contract



UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS  
 CONTRACTS ENTERED INTO GREATER THAN \$60,000

Procurement Type	Vendors that responded	In-State	Out-of-State	Residential Preference	In-state vs Veteran Preference	Scope of Work	Vendor(s) Awarded	Amount of Contract	Contract Effective Date	Contract End Date
RFP 317-15	Connexal; EME-Excel; Vocera	no	yes	no	no	Cardiac Monitoring equipment/technology/software: Bedmaster EX and Alarm Navigator.	EME EXCEL Medical-Bedmaster and Alarm Navigator	\$194,000.00	1/25/2015	duration of contract
RFP 302-14	Biomet; Parameters; Write Medical; Accumed; smith & Nephew; Biocomposites ; Stryker	no	yes	no	no	Bone Substitute products	Stryker	As needed, Price agreement	12/9/2015	Multi-term agreement upto 8 years
RFP P319-15	BCBS; Meritain; Presbyterian, Cigna	yes	no	no	no	employee Medical & prescription Droug Plan	BCBS NM	\$36,000,000 est.	8/1/2016	multi-term award.
RFP P240-13	TheraDoc; Wolters Kluwer; Vigilanz	NO No No	Yes Yes Yes	No No No	No no NO	Infection Control	Premier Healthcare Solutions-Theradoc	\$171,081 per year	2/1/2016	up to 8 years
NMSA 13-1-129; purchased off UNM main Campus Agreement	n/a	n/a	n/a	n/a	n/a	Security Review	Clifton, Larson, Allen - F/k/a Trusted Advisory Group	\$177,190.00	5/23/2016	duration of contract
RFP P312-15	Maxim; Precyse; Harmony; 3M; Med Partners; United Audit Systems; Gebbs; Navigant; Coding Aid; Himagine; Peak; Edifacts	no	yes	no	no	Coding RFP	3M	As needed	12/1/2015	Multi-term agreement upto 8 years
Healthcare Network 13-1-98.1	n/a	n/a	n/a	n/a	n/a	Collaborative Access Agreement-Nursing Facility access for patient care	Genesis	As needed, est. \$1M+	1/1/2016	duration of contract
sole source	n/a	n/a	n/a	n/a	n/a	Lawson Hosting-upgrade to Lawson	Infor	\$487,895/yr	4/25/2016	year to year subscription
sole source	n/a	n/a	n/a	n/a	n/a	Cerner Remote Hosting	Cerner	\$4M+ per year	1/3/2016	5 1/2 years
RFP P316-15	Info; Health Source; Talent Plas	NO No No	Yes Yes Yes	No No No	No no NO	Pre-Employment Assessment Software	HealthcareSourceHR	\$72,600 year one, \$66,00 per year.	6/18/2015	multi-term, up to 8 years

Procurement Type	Vendors that responded	In-State	Out-of-State	Residential Preference	In-state vs Veteran Preference	Scope of Work	Vendor(s) Awarded	Amount of Contract	Contract Effective Date	Contract End Date
P328-15	Cerner; HealthTEC	no	yes	no	no	Population Management System Cerner Schedule 88	Cerner	\$345,883 paid on effective date; \$345,883 due on project kickoff; \$345,883 due on integration testing, quarterly subscription payments of \$183,5555 thereafter through 4-15-2021	11/13/2015	multi-term contract-up to 8 years
P310-14	ROI, McKesson, siemens-Cerner	no	yes	no	no	UNMH Oursource Accts. Rec.	Siemens-Cerner	Variable per contract	8/7/2015	multi-term, up to 8 years
Sole Source	Medtronic	N	Y	N	No	ENT MONITORING	MEDTRONIC	nte \$950,000	4/18/2016	4/17/2018
Sole Source	Medtronic	N	Y	N	No	ENT MONITORING Service Agreement	MEDTRONIC	\$ 446,364.59	4/1/2016	3/31/2019
RFP P332-15	Red Rock Roasters/Perfecto Products	Y	N	Y	N	Coffee and Tea Products	Red Rock Roasters/Perfecto Products	RR-\$165,000/PP-\$60,000	2/15/2016	1/14/2019
RFP 1816-16	Consolidated	Y	N	Y	N	BBRP 1st Floor Install Vestibule West Entrance	Consolidated Builders	\$ 216,979.35	3/24/2016	Upon Completion
Sole Source	Nanosonics	N/A	N/A	N/A	N/A	Trophon EPR Disinfection System for Ultrasound Probes	Nanosonics	2 Yr Price Agreement	8/7/2015	8/9/2017
Sole Source	Diagnosys LLC	N	Y	N		Espion E3 ERG, EOG, PhNR, FLASH VEP, VEP MFERG PERG testing equipment	Diagnosys LLC	\$ 96,900.00	1/8/2016	1/7/2020
Sole Source	Glaukos	N	Y	N		iStents	Glaukos	\$ 80,000.00	4/29/2016	4/28/2019
Sole Source	Canon	N	Y	N		CR2-AF Camera	Canon	\$ 233,333.00	6/28/2016	6/27/2019
P305-14	Equashield; BD; Carefusion	no	yes	no	no	Closed System Transfer Devices	Equashield	Price agreement. As needed.	7/16/2015	Multiterm, up to 8 years
P313-15	Superior ambulance; Presbyterian	no	yes	no	no	Non-emergent Ambulance Transport	Superior ambulance Service	Price Agreement, as needed.	8/1/2015	Multi-term, up to 8 years
P315-15	Reliance; Standard	no	yes	no	no	Life and Long-term disability services	Standard Ins Co	Price Agreement, as needed.	8/1/2015	Multi-term, up to 8 years
P318-15	Surgical Directions	no	yes	no	no	Clinical Practice Consultation	Surgical Directions	\$1,200,000.00	1/12/2016	Duration of contract
Sole Source	Braemar	N/A	N/A	N/A	N/A	Wireless Monitoring	Braemar	\$120,400	6/24/2016	Upon Completion
Sole Source	Diagnosys LLC	N	Y	N	N	Espion E3 ERG, EOG, PhNR, FLASH VEP, VEP MFERG PERG testing equipment	Diagnosys LLC	\$ 96,900.00	1/8/2016	1/7/2020
Sole Source	Glaukos	N	Y	N	N	iStents	Glaukos	\$ 80,000.00	4/29/2016	4/28/2019
Sole Source	Canon	N	Y	N	N	CR2-AF Camera	Canon	\$ 233,333.00	6/28/2016	6/27/2019
Sole Source	Lumedx	N/A	N/A	N/A	N/A	HealthView Web Portal for Apollo Reporting Solution for Cardiology	Lumedx	277,684.00	9/30/2016	9/29/2017

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

University of New Mexico Hospital  
Board of Trustees and  
Mr. Timothy Keller, New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of University of New Mexico Behavioral Health Operations (the "Center"), a division of the University of New Mexico, State of New Mexico, operated by the University of New Mexico Health Sciences Center Clinical Operations, which comprise the statements of net position as of June 30, 2016 and 2015, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements. We have also audited the Comparison of Budgeted and Actual Revenues and Expenses ("budget comparison") of the Center presented as supplementary information, as defined by the Governmental Accounting Standards Board, for the year ended June 30, 2016, and have issued our report thereon dated October 21, 2016.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

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

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

University of New Mexico Hospital  
Board of Trustees and  
Mr. Timothy Keller, New Mexico State Auditor

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted a certain matter that is required to be reported per Section 12-6-5 NMSA 1978, that we have described in the accompanying schedule of findings and responses as item 2016-001.

### **The Hospital's Response to Finding**

The Hospital's response to the finding identified in our audit is described in the schedule of findings and responses. The Hospital's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mess Adams LLP*

Albuquerque, New Mexico  
October 21, 2016

**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2016**

**2016-001 FORMALIZED REVIEW OF ALL SOARIAN USERS (OTHER MATTER)**

**CRITERIA**

The Center's Soarian system processes, records, and stores information that is vital to its daily operations and contains protected health information of its patients. It is critical that access to this system is properly maintained to prevent inappropriate transactions from occurring, data from being lost, and to prevent protected health information from being released.

**CONDITION**

During the audit, we noted that the Center did not conduct a formalized review of all Soarian users. Although the Center did conduct an ad-hoc user access review, in which they reviewed the access rights for all Soarian users, there was no actual formalized user access review being conducted on an annual basis.

**CAUSE**

Soarian was implemented in August 2015, and the design and implementation of a formalized user access review process had not been completed at the time of our audit inquiries.

**EFFECT**

There is a risk of one or more individuals gaining access to Soarian or retaining access after it should be revoked, potentially resulting in a breach of data or protected health information.

**RECOMMENDATION**

We recommend that management continues to review user access at least on an annual basis. This review should be formally documented and included as part the Center's official policies and procedures. A departmental manager or individual responsible for the functional data should perform the review.

**MANAGEMENT RESPONSE**

Patient Financial Services Information Technology (PFS-IT) staff will conduct an annual review on 100% of user accounts in the Soarian Financials Patient Accounting system to ensure proper termination of access for unused accounts and accounts where the user changed departments. The audit will be conducted by the IT Manager and reviewed by the PFS Finance Director with completion prior to December 31<sup>st</sup> of each calendar year beginning in 2016. A procedure regarding the annual review will be written by Management and maintained in coordination with the Data Integrity document.

In addition, users who have not logged into Soarian Financials for 90 days or more on a quarterly basis will be disabled based upon inactivity. This process will commence in the fall of 2016 and will continue on a quarterly basis thereafter.

**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2016**

No matters were reported.

**UNIVERSITY OF NEW MEXICO BEHAVIORAL HEALTH OPERATIONS  
EXIT CONFERENCE  
Year Ended June 30, 2016**

The Center's management prepared the financial statements and is responsible for the contents.

An exit conference was conducted on September 28, 2016 with a member of the Finance and Audit Committee of the Board of Trustees and a member of the Center's management. During this meeting, the contents of this report were discussed.

**University Of New Mexico Behavioral Health Operations**

Steve McKernan, UNMH Chief Executive Officer

Erik Lujan, Finance/Audit Committee Member

Michelle Coons, Finance/Audit Committee Member

Nick Estes, Finance/Audit Committee Member

Ella Watt, UNM Hospitals CFO

Purvi Modi, UNM Health Systems Compliance Officer

Shawna Gonzales, Controller, UNM Hospitals

Michelle Martinez, Finance Director, UNM Hospital

Robert Gonzales, Finance Director, UNM Behavioral Health Operations

Michael Schwantes, Director of Finance Systems - UNM Health Science Center

Debra Owens, Administrative Assistant to CFO

**Moss Adams LLP**

DeVon Wiens, Audit Engagement Partner

Josh Lewis, Audit Senior Manager