

Nebraska Comprehensive Health Insurance Pool

Administered by Coventry Health and Life Insurance Company

P.O. Box 541210 Omaha, NE 68154 | Phone: 855-247-5201 (Toll Free) | Fax: 866-799-9448 | www.nechip.com

March, 2016

The Honorable Senators of
The Nebraska Unicameral Legislature
P.O. Box 94604
Lincoln, NE 68509

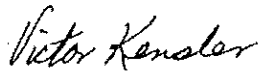
Dear Senator:

Pursuant to the Comprehensive Health Insurance Pool Act, Section 44-4225 (1), we are submitting the attached documents for your review. NECHIP will continue to function according to the Nebraska statutes, until a federal or state solution is reached for under the age of 65 policy holders who currently are or become eligible for Medicare by reason of disability.

We have included the audited financial statements for fiscal year 2014 as well as the December 2015 financial statements.

For further information or assistance, you may contact me or Coventry Health Care of Nebraska, the pool-administrator. The contact information is above.

Sincerely,



Victor Kensler, Chairman
Nebraska Comprehensive Health Insurance Pool

Nebraska Comprehensive Health Insurance Pool

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2015 Annual Report

Coventry Health Care was the administrator of the Nebraska Comprehensive Health Insurance Pool (NECHIP) during 2015 calendar year.

The Pool included ten policy holders that were not eligible for coverage on a guaranteed issue basis under the Affordable Care Act because they are on Medicare due to a disability. Of the ten remaining, six are by reason of disability due to End Stage Renal Disease, three do not have a Medicare Part B to make them eligible for a Medicare Advantage plan and one resides in a county that does not offer Medicare Advantage.

Premium income for 2015 was \$102,261 and administration cost was \$4,638.

NECHIP will continue to function according to the Nebraska statutes, until a federal or state solution is reached for under the age of 65 policy holders who currently are, or become eligible for Medicare by reason of disability.

NEBRASKA COMPREHENSIVE HEALTH INSURANCE POOL

Balance Sheets

Dec-15

<u>ASSETS</u>	<u>2015</u>
Cash	936,824
Receivable from CHIP Distributive Fund	0
Less Allowance for doubtful assessments	0
Premiums receivable	<u>1,138</u>
Total Assets	<u><u>937,961</u></u>

LIABILITIES AND EQUITY

Reserve for incurred claims	26,400
Unearned premiums	2,436
Advances held by administrator	1,341,085
Advanced Assessment Premium Relief	0
Accrued Liabilities	-1,959
Disease Management Accrual	<u>0</u>
Total Liabilities	1,367,962
Equity	<u>0</u>
Total Liabilities and Equity	<u><u>1,367,962</u></u>

NEBRASKA COMPREHENSIVE HEALTH INSURANCE POOLStatement of Income and Equity
For the Month Ended December 31, 2015

	Current Month	2015 Year-to-Date
Premium income	8,850	102,261
Claims incurred	(122,774)	41,711
(Claims Paid)	-\$126,874	\$146,332
(Difference)	4,100	(104,621)
	131,624	60,550
Operating expenses:		
Administrative Cost	375	4,638
Referral Fees	0	0
Audit Fees	0	10,000
Miscellaneous	13	117
Total operating expenses	388	14,755
Gain (loss) from operations	131,236	45,795
Investment income	17	247
Investment expense	0	0
Disease Management Expense		
Premium Relief Credit Expense	0	0
Net gain (loss)	131,253	46,042
CHIP Distributive Fund	(131,253)	(46,042)
Premium Credit Relief Fund		0
Total Fund	(131,253)	(46,042)
Equity, beginning of year	0	0
Equity, end of year	0	0

NEBRASKA COMPREHENSIVE HEALTH INSURANCE POOL Statement of Cash Flows For the Month Ended December 31, 2015

	<u>Current Month</u>	<u>Current Year-to-Date</u>
Cash flows from operating activities:		
Net gain (loss)	131,253	1,541,085
Change in assets and liabilities:		
Decrease (increase) in premiums receivable	15	(1,138)
Increase (decrease) in claim reserve	\$4,100	\$26,400
Increase (decrease) in unearned premiums	2,016	2,436
Increase (decrease) Accrued Liabilities	(187,540)	(1,959)
Rx Rebate Revenue	0	\$ (430,000.00)
Increase (decrease) in Premium Relief Credit Liabilities	<u>0</u>	<u>0</u>
Total cash used in operating activities	<u>(50,155)</u>	<u>1,136,825</u>
Cash flows from financing activities:		
Transfers from CHIP Distributive Fund	0	-200,000
Transfers from Disease Management Fund	0	0
Transfers from Premium Credit Relief Fund	0	0
Refunds of excess CHIP assessments	0	0
Increase (decrease) in borrowings	<u>0</u>	<u>0</u>
Total cash provided by financing activities	<u>0</u>	<u>(200,000)</u>
Net increase (decrease) in cash	(50,155)	936,825
Cash balance, beginning of period	<u>986,979</u>	<u>0</u>
Cash balance, end of period	<u><u>936,824</u></u>	<u><u>936,824</u></u>

<p style="text-align: center;">NEBRASKA COMPREHENSIVE HEALTH INSURANCE POOL Financial Highlights 12/31/2015</p>

Balance Sheet Items:

	<u>12/31/2015</u>
Cash	<u>\$936,824</u>
Assessments Receivable	<u>\$0</u>

Income Statement Items:

	<u>12/31/2015</u>
Net Gain (Loss)	<u>\$131,253</u>
Administrative Cost	<u>\$375</u>

Other Information:

	<u>12/31/2015</u>
Membership Enrollment	10
	<u>Month of</u> <u>12/31/2015</u>
Claims Paid	<u>-\$126,874</u>

NOTES TO December 2015 CHIP FINANCIAL STATEMENTS

1) CHIP Funding

Amounts transferred to the Administrator from the Fund are shown below:

May 25, 2001	\$ 2,371,820		
June 21, 2001	\$ 3,922,281		
October 15, 2001	\$ 5,351,908	2001	\$ 11,646,009
March 26, 2002	\$ 4,519,831		
September 9, 2002	\$ 4,313,972		
November 20, 2002	\$ 4,328,466	2002	\$ 13,162,269
March 17, 2003	\$ 5,387,031		
June 27, 2003	\$ 4,029,424		
September 26, 2003	\$ 4,585,274		
December 18, 2003	\$ 5,095,493	2003	\$ 19,097,222
April 21, 2004	\$ 3,887,696		
April 29, 2004	\$ 719,841		
August 30, 2004	\$ 4,435,103		
December 24, 2004	\$ 4,098,872	2004	\$ 13,141,512
March 29, 2005	\$ 3,962,096		
June 30, 2005	\$ 5,090,859		
September 21, 2005	\$ 5,755,663		
December 27, 2005	\$ 6,407,414	2005	\$ 21,216,032
March 7, 2006	\$ 6,293,769		
July 7, 2006	\$ 5,606,615		
September 29, 2006	\$ 4,453,343		
December 22, 2006	\$ 6,279,868	2006	\$ 22,633,595
March 20, 2007	\$ 5,394,837		
August 2, 2007	\$ 5,324,231		
October 1, 2007	\$ 4,055,626		
December 13, 2007	\$ 4,823,784	2007	\$ 19,598,478
January 29, 2008	\$ 5,166,725		
April 21, 2008	\$ 4,464,237		
June 27, 2008	\$ 5,493,679		
October 1, 2008	\$ 6,401,692		
November 24, 2008	\$ 5,848,876	2008	\$ 27,375,209
March 9, 2009	\$ 6,439,395		
June 4, 2009	\$ 5,002,658		
August 31, 2009	\$ 5,627,063		
December 31, 2009	\$ 6,982,047	2009	\$ 24,051,163
January 26, 2010	\$ 5,365,445		
April 20, 2010	\$ 4,741,325		
August 12, 2010	\$ 6,089,194		
November 5, 2010	\$ 6,324,826	2010	\$ 22,520,790
January 31, 2011	\$ 6,230,362		
May 2, 2011	\$ 4,653,691		
June 29, 2011	\$ 3,919,118		
September 7, 2011	\$ 4,805,331		
November 7, 2011	\$ 4,423,413	2011	\$ 24,031,915
January 6, 2012	\$ 4,400,761		
March 13, 2012	\$ 1,000,000		
April 3, 2012	\$ 3,000,000		
April 20, 2012	\$ 6,600,000		
November 21, 2012	\$ 5,395,487	2012	\$ 20,396,248
February 25, 2013	\$ 4,720,398		
May 20, 2013	\$ 4,047,833		
August 22, 2013	\$ 4,429,298		
December 12, 2013	\$ 6,806,527	2013	\$ 20,004,056
April 16, 2014	\$ 1,710,273		
August 5, 2014	\$ (4,700,000)		
December 18, 2014	\$ (375,000)	2014	\$ (3,364,727)
October 23, 2015	\$ (200,000)	2015	\$ (200,000)
Total	<u>\$255,309,771</u>	Total	<u>\$ 255,309,771</u> \$ -

Advances held by the Administrator as of December 31, 2015 total \$1,341,085

2) Policies in-force:

Current month in-force count is 10

NEBRASKA COMPREHENSIVE HEALTH INSURANCE POOL

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

YEARS ENDED DECEMBER 31, 2014 AND 2013

**BLAND & ASSOCIATES, P.C.
Certified Public Accountants**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Nebraska Comprehensive Health Insurance Pool
Omaha, Nebraska

We have audited the accompanying financial statements of Nebraska Comprehensive Health Insurance Pool (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Organization's 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.

Auditors' Responsibility

Our responsibility is to express an opinion 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. 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 opinion.

INDEPENDENT AUDITORS' REPORT (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nebraska Comprehensive Health Insurance Pool as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BLANDY ASSOCIATES, P.C.

Omaha, Nebraska
May 25, 2015

**NEBRASKA COMPREHENSIVE HEALTH INSURANCE POOL
STATEMENTS OF FINANCIAL POSITION**

ASSETS	December 31,	
	2014	2013
Cash and Cash Equivalents	\$ 1,090,627	\$ 7,913,061
Premiums Receivable	-	218,044
Pharmacy Rebates Receivable	116,720	835,877
Other Receivables	-	72
	<u>\$ 1,207,347</u>	<u>\$ 8,967,054</u>

LIABILITIES AND NET ASSETS	December 31,	
	2014	2013
LIABILITIES		
Reserve for Incurred Claims	\$ 14,300	\$ 3,967,000
Claims Payable	9,236	506,250
Advances Owed to State	1,181,705	4,482,679
Unearned Premiums	2,088	11,125
Other Payables	18	-
Total Liabilities	<u>1,207,347</u>	<u>8,967,054</u>
NET ASSETS		
Unrestricted Net Assets	-	-
Total Net Assets	<u>-</u>	<u>-</u>
	<u>\$ 1,207,347</u>	<u>\$ 8,967,054</u>

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

**NEBRASKA COMPREHENSIVE HEALTH INSURANCE POOL
STATEMENTS OF ACTIVITIES**

	Years Ended December 31,	
	2014	2013
PREMIUM REVENUES	\$ 443,887	\$ 30,141,379
CLAIMS EXPENSES	(363,181)	(46,470,578)
Premium Revenues Over (Under) Claims Expenses	80,706	(16,329,199)
GENERAL AND ADMINISTRATIVE EXPENSES		
Professional Fees	9,739	32,266
Administrative Fees	7,995	1,552,216
Miscellaneous Expenses	-	23,545
Referral Fees	-	3,800
Total General and Administrative Expenses	17,734	1,611,827
INCOME (LOSS) FROM OPERATIONS	62,972	(17,941,026)
OTHER INCOME		
Interest Income	771	2,771
Total Other Income	771	2,771
CHANGE IN NET ASSETS	63,743	(17,938,255)
TRANSFERS (TO) FROM CHIP DISTRIBUTIVE FUND	(63,743)	17,938,255
NET ASSETS - BEGINNING OF YEAR	-	-
NET ASSETS - END OF YEAR	\$ -	\$ -

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

**NEBRASKA COMPREHENSIVE HEALTH INSURANCE POOL
STATEMENTS OF CASH FLOWS**

	Years Ended December 31,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 63,743	\$ (17,938,255)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:		
(Increase) Decrease in Assets:		
Premiums Receivable	218,044	(91,269)
Pharmacy Rebates Receivable	719,157	185,160
Other Receivables	72	6,282
Increase (Decrease) in Liabilities:		
Reserve for Incurred Claims	(3,952,700)	(33,000)
Claims Payable	(497,014)	144,874
Unearned Premiums	(9,037)	(491,264)
Other Payables	18	-
Net Cash Used in Operating Activities	<u>(3,457,717)</u>	<u>(18,217,472)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances (Paid) Owed to State	(3,300,974)	1,997,178
Transfers (To) From CHIP Distributive Fund	(63,743)	17,938,255
Net Cash (Used in) Provided by Financing Activities	<u>(3,364,717)</u>	<u>19,935,433</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(6,822,434)	1,717,961
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>7,913,061</u>	<u>6,195,100</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 1,090,627</u></u>	<u><u>\$ 7,913,061</u></u>

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

NEBRASKA COMPREHENSIVE HEALTH INSURANCE POOL
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2014 and 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Nebraska Comprehensive Health Insurance Pool (NE CHIP) is presented to assist in understanding NE CHIP's financial statements. The financial statements and notes are representations of NE CHIP's management who are responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Reporting Entity

In 1985, the State of Nebraska enacted the Comprehensive Health Insurance Pool (the Act). The Act established NE CHIP (a Nebraska nonprofit organization), which became operational on November 1, 1986. The purpose of the Act is to provide a mechanism to ensure the availability and affordability of health insurance to Nebraska residents unable to purchase such insurance as a result of pre-existing medical conditions. Those residents participating in NE CHIP are defined as subscribers. Under the Act, all insurers authorized to issue or provide health insurance in Nebraska are members of NE CHIP. NE CHIP is funded by premiums billed to subscribers and payments from the Comprehensive Health Insurance Pool Distributive Fund (the Distributive Fund).

NE CHIP has been administered by Coventry Health Care of Nebraska, Inc. since April 1, 2012. Effective May 1, 2014, Aetna, Inc. (the Administrator) completed the acquisition of Coventry Health Care of Nebraska, Inc. and administered NE CHIP in 2014. The Administrator is contracted to administer NE CHIP through December 31, 2015.

The funding mechanism for NE CHIP was established by Legislative Bill 1253 of the 2000 Legislative Session (the Bill). The Bill abolished the direct member assessments which had previously been collected and held by the Administrator to pay NE CHIP deficits. Instead, the Bill created the Fund. The Bill provides that the Board shall make periodic estimates of the amounts needed from the Fund for payment of losses resulting from claims, including a reasonable administrative reserve, and administrative, organizational, and interim operating expenses and shall notify the Director of Insurance of such estimates. The Director is required to approve all withdrawals from the Fund and may determine when and in what amount any additional withdrawals may be necessary from the Fund to assure the continuing financial stability of NE CHIP. In 2013 and through June 11, 2014, the Bill required that at any time funds on hand with the Administrator fell below \$5,000,000, the Administrator was to provide a deficiency notice to the Director of Insurance. Effective June 11, 2014, this requirement was reduced from \$5,000,000 to \$1,000,000. NE CHIP was in compliance with this requirement as of December 31, 2014 and 2013, respectively.

NEBRASKA COMPREHENSIVE HEALTH INSURANCE POOL
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2014 and 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Financial Reporting

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions that affect certain reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates include pharmacy rebates receivable and reserve for incurred claims. Accordingly, actual results could differ from those estimates.

Aggregate Reserves for Policy Contracts

Aggregate reserves for policy contracts have been adjusted to reflect claims incurred, but unpaid at year-end, which includes claims in process, unreported claims, and claims of currently hospitalized patients. The amount of this liability has been estimated by the use of actuarial methods utilizing statistics developed from prior claims payments experience. Differences between actual and estimated claims are charged to operations in the year that the differences, if any, become known.

Cash and Cash Equivalents

The balance represents NE CHIP cash held by the Administrator for the purpose of administering the operations of NE CHIP. The carrying value approximates the fair value.

Pharmacy Rebates Receivable

These receivables reflect an estimate for the amount of rebates earned in the fourth quarter, but not yet collected by the Administrator or remitted by the Administrator to NE CHIP.

Premium Income

Premiums are billed to subscribers in advance of their respective coverage periods and recognized as income when earned. Premiums receivable are recorded when the income has been earned, but not yet received. Premiums received in advance of the related coverage period are recorded as unearned premiums.

NEBRASKA COMPREHENSIVE HEALTH INSURANCE POOL
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2014 and 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

NE CHIP implemented the accounting for uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the position will be sustained upon examination by the tax authorities. Such tax positions initially and subsequently need to be measured as the largest amount of tax benefit that has appropriate support for the income tax positions taken and any accruals for tax liabilities for all open tax years based on an assessment of many factors, including experience and interpretations of tax laws applied to the facts of each matter.

FASB ASC 740 did not have a material impact on NE CHIP's financial statements. NE CHIP has concluded that there are no significant uncertain tax positions requiring disclosure, and there are no material amounts of unrecognized tax benefits.

Subsequent Events

NE CHIP has evaluated subsequent events through May 25, 2015, the date which the financial statements were available to be issued.

NOTE B – CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject NE CHIP to credit risk consist principally of cash balances. NE CHIP maintains bank accounts which sometimes exceed Federally insurable limits.

NOTE C – DISTRIBUTIONS FROM THE DISTRIBUTIVE FUND

Commencing with premium and retaliatory taxes imposed for the year ending December 31, 2001, and every year thereafter, any premium and related retaliatory taxes imposed by section 44-150 or 77-908 paid by insurers writing health insurance in Nebraska is remitted to the State Treasurer for credit to the Distributive Fund.

The Distributive Fund was used to fund the statements of activities as follows for the years ended December 31,:

	2014	2013
NE CHIP Distributive Fund	\$ (3,364,717)	\$ 19,935,433
Prior Year Advances Held	4,482,679	2,485,501
Current Year Advances Due	(1,181,705)	(4,482,679)
	\$ (63,743)	\$ 17,938,255

NEBRASKA COMPREHENSIVE HEALTH INSURANCE POOL
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2014 and 2013

NOTE D – ADMINISTRATIVE AGREEMENT

Coventry Health Care of Nebraska, Inc. remained the Administrator until they were acquired by Aetna, Inc. in 2014. Aetna, Inc. is now the Administrator of NE CHIP and is contracted to remain the Administrator through December 31, 2015

The administrative services agreement provides, among other things, that the Administrator will be responsible for eligibility verification, premium collection, agent referral fee payments, claim processing and claim payments. Funds held by the administrator represent funds deposited with the Administrator. NE CHIP earns interest on funds deposited with the Administrator at a rate equal to the 90-day U.S. Treasury Bill rate. In accordance with the administration agreement, the Administrator receives a monthly administrative fee based on a fee per policy holder per month. Such fees are presented separately in the accompanying statements of activities as administrative fees.

NOTE E – AGGREGATE RESERVES FOR POLICY CONTRACTS

Activity in the liability for aggregate reserves for policy contracts is summarized below for the years ended December 31,:

	2014	2013
Balance, January 1	\$ 3,967,000	\$ 4,000,000
Incurred Related To:		
Current Year	554,371	41,387,697
Prior Year	3,706,355	4,799,578
Total Incurred	<u>4,260,726</u>	<u>46,187,275</u>
Paid Related To:		
Current Year	554,371	41,387,697
Prior Year	3,706,355	4,799,578
Total Paid	<u>4,260,726</u>	<u>46,187,275</u>
Claims Adjustment Expense	3,952,700	33,000
Balance, December 31	<u>\$ 14,300</u>	<u>\$ 3,967,000</u>

NE CHIP utilizes claims adjustment expense to account for changes in estimates of claims costs resulting from internal review of the differences between estimates and payments for claims. The effects of these changes are recognized in results of operations of the period in which the estimates are changed or payments are made. Due to the rapid decline in membership during 2014 as a result of the Health Care Reform (referred to in Note G), the claims adjustment expense was utilized to adjust the IBNR to a reasonable amount and is included in the claims expense amount reported in the financial statements.

NEBRASKA COMPREHENSIVE HEALTH INSURANCE POOL
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2014 and 2013

NOTE F – INCOME TAXES

NE CHIP has implemented the accounting requirements associated with uncertainty in income taxes as required by FASB ASC 740, *Income Taxes*. The guidance prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. NE CHIP files Form 990, *Return of Organization Exempt from Income Tax*, in the U.S. Federal jurisdiction and one state jurisdiction. As of December 31, 2013, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Tax years that remain subject to examination by major tax jurisdictions are December 31, 2011, 2012, 2013 and 2014.

NOTE G – HEALTH CARE REFORM

One of the fundamental reasons for the origination of the NE CHIP program was to provide insurance for those who were unable to find insurance through traditional means or for those who had pre-existing conditions that were excluded from obtaining insurance. With the Affordable Care Act (ACA), signed into law March 23, 2010, those barriers were removed which provided an avenue for CHIP members to purchase health insurance other than through NE CHIP. The NE CHIP Board monitored the provisions of the ACA and a decision was made that since health care was now available, the current CHIP members would migrate over to other insurers under the ACA effective no later than January 1, 2014. As time progressed, it became apparent that there were three categories in which policyholders could retain their CHIP insurance as they were excluded from coverage under the ACA. These categories include: Individuals with end stage renal disease who are ineligible for Medicare Advantage; Individuals who live in a Nebraska county that does not provide a Medicare Advantage plan; and Individuals who are under the age of 65 who are on Medicare but do not have Part B Medicare, making them ineligible for a Medicare Advantage Plan. In view of this, the Board decided to continue to provide insurance for those individuals. For 2014 and continuing through December 31, 2015, there will only be a small group of subscribers who receive health insurance coverage through NE CHIP.

NOTE H – CONTINGENCIES AND COMMITMENTS

In the normal course of its business, NE CHIP is a defendant in certain lawsuits filed under causes of action whereby the plaintiffs are seeking reimbursement and punitive damages. It is the opinion of NE CHIP's legal counsel and management that the ultimate resolution of these actions will not have a material adverse effect on its financial position, results of operations or cash flows.