

# Incurred but not paid (IBNP) within MedInsight



COVID-19 has affected almost every area of the healthcare delivery system, so it is no surprise that it is having a tremendous impact on incurred but not paid (IBNP) estimates.

Within MedInsight, there is an automated IBNP estimate that is set by line of business, service setting (Inpatient Facility, Outpatient Facility, Professional, Rx and Ancillary), and any other IBNP dimensions set by the client. For financial statements, we recommend that our clients have an actuarially certified process to set reserves for each month. The automated IBNP within MedInsight exists to provide runout estimates based on past claims payment patterns. Even then, we generally recommend it only for analyses using data that has at least three months of runout.

IBNP estimates are, in general, based on the assumption that current claims will be paid on a similar pattern compared to the past (e.g. 20% paid in the same month, 60% in the next month, etc.). Clearly, COVID-19 has changed the services being performed, and is also impacting the billing cycle and claims payment process as those services get moved to remote workers in many cases. Traditional IBNP estimation methods will not be as accurate until things stabilize.

Many provider clients have reported that volumes are down 30% to 75% in April—driving the need to adjust down the PMPM targets for March and until a new equilibrium is reached. Some providers are planning to increase their normal volume of services once the restrictions are lifted.

See this Milliman paper for a discussion on service deferral health cost projections. <https://us.milliman.com/en/insight/Estimating-the-impact-of-COVID19-on-healthcare-costs-in-2020>

In MedInsight, currently when the PMPM is set correctly by setting (e.g. Inpatient Facility), the IBNP is spread to all Health Cost Guideline (HCG) lines equally. In this shifting world, this may create some unreasonable results. For example, inpatient—we know that surgeries have decreased more than medical services, and that maternity admissions have not been affected. This will likely lead to unreasonably high maternity cost estimates. Other anomalies like this may show up for other HCG service lines.

It is important that MedInsight clients recognize that all IBNP estimates will be less accurate than normal for the near future. Furthermore, MedInsight IBNP should not be used for financial reporting and that some HCG service line results are going to be especially impacted by COVID-19. We are hard at work to improve the MedInsight IBNP estimation methodology.