

SCHAUM LAW OFFICES

600 Old Country Road, Suite 328, Garden City, NY 11530
516-228-8766 Fax: 516-228-3559 SCHAUM@SCHAUMLAW.COM

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TO: MEMBERS OF THE LONG ISLAND JEWISH ORGANIZED MEDICAL STAFF

IBNR = “Incurred But Not Reported”

These initials and/or words keep insurance actuaries awake at night. The incidents of “IBNR’s” prevent carriers from knowing their exposure to the universe of existing claims at any one frozen moment. The carrier knows that an accident has occurred which will result in a claim – but – no claim has yet to be received. The amount of exposure exists in a vacuum.

Any claim which is received by an insurance company results in a reserve being established on the books of the carrier to cover the potential payout. The IBNR, however, cannot result in a reserve but clouds the picture of what may and may not occur down the road.

The IBNR universe exists in any insurance market whether auto-homeowner-health – or – malpractice, etc... The claim exists but although there are people in the theater the overture hasn’t begun.

Actuarial assumptions are made by the insurers based upon past experience but the fear of an outlier event or combination of events can never be comfortably predicted. This reality was brought home to our firm some years ago when we were selected to represent the first New York State Medicaid HMO and observed the actuarial discussions which took place in asserting the reserves to fund a health plan at its outset. How does one predict when there is no history to use as a stepping-stone?

We will be faced with the same sets of problems resulting from the present health crisis. The IBNR experience has not witnessed this since the AIDS explosion shook the health care market – and – this is certainly more global

Can anyone accurately assess the cost challenges to health insurance plans from the patients they cover? After the crisis subsides will there be an emergence of malpractice claims against physicians and hospitals?

It seems safe to guess that there are endless IBNR's floating loose in the health care universe at the moment creating challenges needing new solutions.

Respectfully submitted,

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