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Cc: [Colleen Huber](#); [Cheryl Shao](#); [Cristie Labus](#); [Eric Lee](#)
Subject: Q1 2024 IBNR/Projection
Date: Friday, May 24, 2024 4:41:54 PM
Attachments: [Commonwealth of Kentucky IBNR report 2024 March without PDR.pdf](#)
[Commonwealth of Kentucky IBNR report 2024 March with PDR.pdf](#)
[Financial Model 2025 thru Mar 2024.pdf](#)

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All,

Attached please find the Q1 2024 projection report based on claims and enrollment data through March 2024. Below are a few noteworthy items:

Projection –

1. The Rx claims incurred in 2023 and paid through March 2024 provided by Caremark is \$22M lower than the Rx claims from Trust fund report. Because we use Caremark claims as the baseline claims for IBNR and projection, we adjusted plan year 2024 -2026 Rx claims projection to reflect this difference. Caremark is still investigating the claims difference.
2. The projected 2023 net loss increased by \$10M primarily due to the Rx claims issue.
3. The projected 2024 net gain decreased by \$7M primarily due to the Rx claims issue.
4. The projected net loss increased by \$8M for both 2025 and 2026 primarily due to the Rx claims issue.

IBNR –

The system breach of Change Healthcare on February 21, 2024, resulted in disruptions to the claim processing and payment systems used by providers across types of coverage, including medical, behavioral health, prescription drug and dental. IBNR reserve estimates for March 2024 are impacted by restorations to the Change Healthcare systems that occurred in March, as claims that were disrupted will continue to be reported and process in future months. We relied on historical claims to estimate the IBNR for most recent two months to reflect the delay in payments associated with the Change Healthcare system issues. With margin included, the total IBNR is \$129M.

Thanks,

Lynn Xiong, FSA, MAAA | Vice President

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