

Q1 2026 Quarterly Report

AS OF MARCH 31, 2026

Medical Benefit Claims Monitoring
Findings Report

QUARTERLY REPORT PRODUCED BY:
4C Digital Health

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Statement of Work

4C Digital Health (4C) appreciates the opportunity and is deeply committed to partnering with the Commonwealth of Kentucky to drive meaningful improvements in healthcare outcomes and cost reductions for its employees and taxpayers. 4C is honored to contribute to Kentucky's vital healthcare goals.

To support the Commonwealth of Kentucky's goals, the Department of Employee Insurance (the Department) has contracted 4C to review the Kentucky Employees' Health Plan ("KEHP"). The initial review period spanned six months, with 4C analyzing Anthem's claims adjudication from January 1, 2024 through June 30, 2024. Since the initial contract, 4C has received two contract extensions. The first extended the review of claims from July 1, 2024 through June 30, 2025, and the second further extends the review period through June 30, 2026.

4C's Ongoing Monitoring includes the following services:

- » Payment Accuracy Analysis | 4C's Payment Accuracy program verifies that TPAs pay provider claims correctly and assign payer responsibility accurately.
- » Invoice Reconciliation Analysis | 4C's proprietary Invoice Reconciliation program uncovers hidden and improperly paid fees by reconciling health plan invoices and payments against plan claims data.

Kentucky SB 42 (2023)¹ Legislative Authority for Review

Senate Bill 42 was signed into law March 3, 2023 amending KRS 18A.2258² to require the Secretary of the Finance Cabinet to contract with an independent entity to monitor all Public Employee Health Insurance health care service benefit claims. Specifically, the Department awarded a contract to 4C to perform the following services consistent with this legislation:

- Analyze 100% of medical invoices or claims submitted for payment to the KEHP
- Identify and correct errors in order to avoid or reduce erroneous overpayments by KEHP
- Identify inappropriate or erroneous fees imposed by KEHP's TPA
- Submit quarterly reports to the Personnel Cabinet beginning April 30, 2024

Summary of Analysis

As stated in the Personal Service Contract for Medical Benefits Claims Monitoring, 4C shall perform an analysis of Medical Benefits Claims to validate the accuracy of the claims and identify errors in Near Real Time.

4C's responsibilities include:

- Analyzing 100% of medical invoices or claims submitted for payment to the KEHP by their TPA or any future TPA during the contract period.
- Identifying and correcting errors in order to avoid or reduce erroneous overpayments by KEHP through the KEHP Contracted Entities.
- Identifying underpayments made by the KEHP Contracted Entities.
- Identifying inappropriate or erroneous fees imposed by a KEHP Contracted Entity
- Submitting a quarterly report to the Personnel Cabinet beginning April 30, 2024

Objectives of this Report

The following first-quarter report reflects the status of engagement as of March 31, 2026.

As outlined in the Personal Service Contract for Medical Benefits Claims Monitoring, the objectives of this report are as follows:

- Legislative authority for the review
- Summary of the analysis conducted
- Statement of findings
- Statement of resolutions of the errors identified
- Savings realized by KEHP

Q1 2026 Progress Update

This section details the progress made in Q1 2026 and includes any new developments.

Backlog Review Through September 2025: *Q1 Update - Completed*

The initial Q4 2025 goal—to review June 2025 through September 2025 (claims paid through June 2025 in accordance with the soak period in the pass file instructions)—was not met by year-end. However, Anthem continued the review into the new year and successfully completed all files within this target group by the revised deadline of March 31, 2026.

Generate and Refine Case Review Files: *Q1 Update - Completed / Ongoing*

Three monthly case review files (January, February, and March 2026) were generated and delivered to Anthem during Q1. This was accomplished using the Pass Files and Pass File Instructions.

Continued Collaboration and Progress Monitoring: *Q1 Update - In Progress*

Throughout Q1 2026, 4C and Anthem maintained weekly working sessions and deep-dive technical meetings to resolve outstanding 2025 findings. Following Anthem's completion of the initial review for June 2025 through September 2025 files by March 31, 2026, all parties will meet to align on expectations and set specific completion targets for the remaining backlog through Q2 2026.

Invoice Reconciliation Delivery: *Q1 Update - In Progress*

4C delivered all eligible Invoice Reconciliation findings in accordance with the Pass File Instructions. Anthem is currently continuing its review of the 2025 and 2026 findings; both parties will utilize the weekly working sessions to address outstanding items and ensure steady progress toward completion.

Pass File Instructions: *Q1 Update - Completed*

During Q1 2026, all parties agreed to revise the Pass File "Other Instructions" regarding the working window for medical claims data. To allow Anthem sufficient time to correct errors they have already identified, the 60-day working window has been extended to 90 days. This adjustment is designed to eliminate duplicate reviews; by providing Anthem this additional time to finalize internal corrections, 4C avoids submitting findings that are already being actively remediated.

Payment Integrity: All Cases Reviewed to Date

STATUS	CASE COUNT	TOTAL AT RISK PLAN DOLLARS
Recovered	1,661	\$558,142
Awaiting Refund	647	\$202,530
Closed	12,163	\$3,951,830
Under Review	31,052	\$24,187,574
<i>Anthem</i>	10,440	\$8,418,458
<i>4C Digital Health</i>	20,612	\$15,769,116
<i>The Department</i>	0	\$0
TOTALS	45,523	\$28,900,076

The chart above details the current status of all at-risk cases delivered by 4C to Anthem as of March 31, 2026. Of the total 45,523 cases submitted, 1,661 have been recovered, 647 are awaiting a refund, 12,163 have been closed, and 31,052 are currently under review.

The 31,052 cases under review have been broken down by the party responsible for the current review: Anthem, 4C, or the Department.

In Q1 2026, 4C submitted 5,387 new cases to Anthem, representing a total of \$3,650,520 in net new findings.

Payment Integrity: Cases Processed Q1 2026

STATUS	CASE COUNT	TOTAL AT RISK PLAN DOLLARS
Recovered	355	\$210,211
Awaiting Refund	427	\$119,147
Closed	1,795	\$156,426
TOTALS	2,577	\$485,784

The chart above details the 2,577 cases from the total engagement that were processed during Q1 2026. Of these, 355 cases have been recovered, 427 are awaiting a refund, and 1,795 have been closed.

CASE STATUS KEY

Recovered: The recovery has been completed and the funds have been returned to the Department.

Awaiting Refund: The case has been reviewed and approved by Anthem, and the Department is awaiting the refund.

Closed: The case has been closed due to a mutual agreement among 4C, Anthem, and the Department that no overpayment occurred, based on factors such as carrier policy, provider contracts, client discretion, or 4C logic updates.

Under Review: The case is currently under review by Anthem, 4C, or the Client. This includes Anthem's review of the initial submission or the rebuttal, 4C's review of an Anthem response, or the Department's review of an escalated file.

Next Steps

The following actions will be taken in Q2 2026:

- **Case Review and Backlog Resolution:** 4C will continue conducting weekly working sessions with Anthem to maintain momentum on the remaining backlog of case review files covering October 2025 through March 2026. A primary objective for Q2 2026 is to move beyond bulk processing and establish a sustainable, consistent monthly review cycle. To ensure alignment, 4C is currently collaborating with both Anthem and the Department to define realistic completion expectations for the second quarter.
- **Continue Generating Monthly Payment Integrity Case Review Files:** Utilizing the Pass Files and the Pass File Instructions, 4C will generate case review files for the months of April, May, and June 2026 during Q2 2026 for Anthem's review.
- **Invoice Reconciliation Review and Delivery:** 4C will continue identifying and sharing new Invoice Reconciliation findings with Anthem and the Department. Simultaneously, Anthem will prioritize reviewing the 2025 backlog, with the objective of closing all outstanding findings by the end of Q2 2026.
- **"Approved-Awaiting Refund" Recovery Monitoring:** 4C will continue providing detailed aging reports to assist the Department in tracking inventory and review cycles. In Q2 2026, 4C will specifically target "Approved - Awaiting Refund" cases aged 90 days or greater, ensuring Anthem prioritizes these recoveries to secure all outstanding funds.

Appendix

Pass File and Claim Coordination Instructions - Updated Q1 2026

The purpose of the Pass File and Claim Coordination Instructions is to establish the scope and clear timing parameters involved in 4C’s claims review process and potential error identification, Anthem’s response process, as well as invoicing.

The pass file parameters are as follows: “4C will not flag any claim for a finding requiring Anthem’s response during the “Pass File Soak Period.” The pass file soak period will be measured from the processing date in Anthem’s system in all cases unless otherwise noted.

Type of Claim Issue	Pass File Soak Period	Other Instructions	Treatment of Errors Identified after Soak Period
Medical Claims Data	<p>90 days (Note: this includes time where Payment Integrity may be working the claim)</p> <p>4C and Anthem will not identify or discuss claims during the soak period.</p>	<p>Beyond the soak period, for a claim that is being actively worked by PI during the soak period, final determinations must be made within 90 days of the date that PI first reviewed, opened, communicated on, or otherwise worked that claim, otherwise 4C may identify on file as an unresolved error for billing.</p> <p>This means that the 90-day working window may be during the soak period. Exceptions to this general soak period are provided below.</p>	<p>If 4C identifies claim issue outside of the soak period that has not been resolved according to the rules at left, then:</p> <ol style="list-style-type: none"> 1) 4C may claim the error as Savings for reimbursement once error resolution and recovery are validated, and 2) Anthem shall reimburse DEI for any fees related to that claim in error, to avoid double payment of integrity fees by the Commonwealth.

We note that irrespective of the soak periods and limitations above, 4C should continue to flag potential opportunities and issues for review by the Commonwealth.

The implementation of the new instructions occurred in Q1 2025. 4C and Anthem will continue working together to develop a new workflows/file delivery timelines that align with the new “pass file soak period.”

Type of Claim Issue	Work Period after Soak Period	Other Instructions	Treatment of Errors Identified after Soak Period
<p>Claims Under Review and Reworked –</p> <p>Includes any claims being (re)worked by PIAI to the benefit of the plan (a/k/a down adjusted claims)</p>	<p>180 days</p>	<p>If Anthem has failed to provide a refund for a claim that is being reworked after the soak period, 4C may identify such claim as a potential error in an aging-inventory report and Anthem must respond with proof that such claim is still being worked along with an explanation as to the cause of the delay and likely time frame for resolution.</p>	<p>If a claim in error has not been resolved with a final adjudication by Anthem by the end of the work period, 4C may identify as an unresolved error and may invoice DEI for the realized savings from that error once the claim has been resolved. In the event DEI agrees that 4C should be credited for the error and is paid the related fee, Anthem must reimburse Commonwealth for any error resolution/avoidance fees for that same claim.</p>
<p>Non-Network Savings Fee for Potential In-Network Provider</p>	<p>60 days</p>	<p>4C will pull claims involving non-network savings where an in-network provider may be possible</p>	<p>If such claims are not re-adjudicated by the end of the work period, then 4C may invoice as an error and DEI will evaluate. In the event DEI agrees that 4C should be credited for the error and is paid the related fee, Anthem must reimburse Commonwealth for any error resolution/avoidance fees for that same claim.</p>
<p>BlueCard / ITS Claims</p>	<p>120 days</p>	<p>4C shall submit findings related to prepay and recovery fees charged by Anthem to KEHP in error, but only if 4C can show that the claim was in “error” or if Anthem has charged recovery fees or other fees that provide evidence that Anthem has treated such claims as available for adjudication under the terms of the BlueCard program. If 4C flags a claim first as being in error and Anthem subsequently reworks that BlueCard/ITS claim, then 4C may be given credit for that error.</p>	<p>Anthem may reject any claim issue that may not be reviewable under the terms of the applicable contracts under the BlueCard program. To the extent such limitations can be operationalized in 4C’s claims review, 4C shall incorporate those limitations in the scope of reporting. 4C may bill DEI for realized savings given the parameters herein. In the event DEI agrees that 4C should be credited for the error and is paid the related fee, Anthem must reimburse Commonwealth for any error resolution/avoidance fees for that same claim.</p>
<p>Subrogation</p>	<p>N/A</p>	<p>Subrogation is outside the scope of KRS 18A.2258(3).</p>	<p>For clarity, DEI will consider payment for any claim if 4C has validated that Anthem: 1) missed a subrogation claim and would not have caught it at any point in review, 2) such claim results in validated savings to the Plan upon intervention, and 3) once intervention is subsequently made, 4C may only bill DEI for realized savings received by DEI.</p> <p>Notwithstanding the instructions for subrogation claims, 4C may continue to report all identified subrogation issues to DEI for analysis</p>