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TEAM KENTUCKY®
PERSONNEL CABINET

Q2 2026 Quarterly Report

AS OF JUNE 30, 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

1 Senate Bill 42,https://apps.legislature.ky.gov/record/23rs/sb42.html

2 18A.2258 Pharmacy and Health Care Benefit Claims Monitoring -- Contract Provisions -- Requirements -- Administrative Regulations.https://apps.legislature.ky.gov/law/statutes/statute.aspx?id=53749

Objectives of this Report

The following second-quarter report reflects the status of engagement as of June 30, 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

Q2 2026 Progress Update

This section details the progress made in Q2 2026 and includes any new developments.

Backlog Review Through December 2025: *Q2 Update - Completed*

Through weekly working sessions and structured collaboration, Anthem successfully completed its initial review of all remaining 2025 case review files (Q4: Oct–Dec 2025) by the end of Q2 2026, meeting the goal established by KEHP, 4C, and Anthem.

Generate and Refine Case Review Files: *Q2 Update - Completed / Ongoing*

Three monthly case review files (April, May, and June 2026) were generated and delivered to Anthem during Q2. This was accomplished using the Pass Files and Pass File Instructions.

Continued Collaboration and Progress Monitoring: *Q2 Update - In Progress*

4C and Anthem maintained weekly working sessions to resolve outstanding findings throughout Q2. Upon completion of Anthem's initial review for January through March 2026 files (targeted for July 31, 2026), all parties will meet to align on expectations and establish specific completion targets for Q3 2026.

Invoice Reconciliation Delivery: *Q2 Update - In Progress*

4C delivered all eligible Invoice Reconciliation findings in accordance with Pass File Instructions. Anthem is currently reviewing 2025 and 2026 findings. Both teams are utilizing weekly sessions to resolve open items, with Anthem's initial review scheduled for completion in Q3 2026.

"Approved-Awaiting Refund" Recovery Monitoring: *Q2 Update - Completed / Ongoing*

During Q2 2026, 4C specifically targeted cases in "Approved–Awaiting Refund" status aged 90+ days, working with Anthem to prioritize these recoveries. 4C continues to provide detailed aging reports to assist the Department with inventory tracking and review cycle monitoring.

Payment Integrity: All Cases Reviewed to Date

STATUS	CASE COUNT	TOTAL AT RISK PLAN DOLLARS
Recovered	2,061	$881,767
Awaiting Refund	1,020	$630,090
Closed	25,715	$12,268,692
Under Review	20,444	$16,885,067
Anthem	*12,585*	*$11,478,557*
4C Digital Health	*7,830*	*$5,399,873*
The Department	*29*	*$6,637*
TOTALS	**49,240**	**$30,665,616**

The chart above details the current status of all at-risk cases delivered by 4C to Anthem as of June 30, 2026. Of the total 49,240 cases submitted, 2,061 have been recovered, 1020 are awaiting a refund, 25,715 have been closed, and 20,444 are currently under review.

The 20,444 cases under review have been broken down by the party responsible for the current review: Anthem, 4C, or the Department.

In Q2 2026, 4C submitted 2,847 new cases to Anthem, representing a total of $2,535,514 in net new findings.

Payment Integrity: Cases Processed Q2 2026

STATUS	CASE COUNT	TOTAL AT RISK PLAN DOLLARS
Recovered	400	$323,625
Awaiting Refund	379	$194,297
Closed	567	$580,100
TOTALS	**1,346**	**$1,098,022**

The chart above details the 1,346 cases from the total engagement that were processed during Q2 2026. Of these, 400 cases have been recovered, 379 are awaiting a refund, and 567 have been closed.

CASE STATUS KEY

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

Awaiting Refund: The c ase h as b een reviewed a nd approved by A nthem, 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 Department. 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 Q3 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 January 2026 through June 2026. A primary objective for Q3 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 third 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 July, August, and September 2026 during Q3 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.
- **"Approved-Awaiting Refund" Recovery Monitoring:** 4C will continue providing detailed aging reports to assist the Department in tracking inventory and review cycles. In Q3 2026, 4C will continue targeting cases in "Approved–Awaiting Refund" status aged 90+ days, 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	90 days (Note: this includes time where Payment Integrity may be working the claim) 4C and Anthem will not identify or discuss claims during the soak period.	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. This means that the 90-day working window may be during the soak period. Exceptions to this general soak period are provided below.	If 4C identifies claim issue outside of the soak period that has not been resolved according to the rules at left, then: 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
Claims Under Review and Reworked – Includes any claims being (re)worked by PIAI to the benefit of the plan (a/k/a down adjusted claims)	180 days	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.	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.
Non-Network Savings Fee for Potential In-Network Provider	60 days	4C will pull claims involving non-network savings where an in-network provider may be possible	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.
BlueCard / ITS Claims	120 days	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.	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.
Subrogation	N/A	Subrogation is outside the scope of KRS 18A.2258(3).	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. Notwithstanding the instructions for subrogation claims, 4C may continue to report all identified subrogation issues to DEI for analysis