

Q2 2024 REPORT

Medical Benefit Claims Monitoring Findings Report

This report is as of June 30, 2024



Table of Contents

Background.....	1
Objectives of this Report.....	2
Legislative Authority for Review: Kentucky SB 42 (2023).....	3
Summary of Analysis Conducted.....	3
Statement of Findings.....	3
Key Challenges.....	11
Resolution of Errors.....	11
Savings Realized by KEHP.....	12
Next Steps.....	12



Background

4C Digital Health (4C) appreciates the opportunity to support the Commonwealth of Kentucky's goals of improving healthcare outcomes and reducing healthcare costs for Kentucky, its employees, and its taxpayers.

4C has been contracted by the Commonwealth of Kentucky's Department of Employee Insurance ("DEI") to conduct a six-month review of the Kentucky Employees' Health Plan ("KEHP"). This monthly Ongoing Monitoring review will analyze the claims adjudication process provided by Anthem from January 1, 2024 through June 30, 2024.

4C's Ongoing Monitoring review includes the following services:

- **Payment Accuracy Analysis** | 4C's Payment Accuracy program is designed to help clients ensure that their TPAs are accurately paying provider claims and properly assigning payer responsibility.
- **Invoice Reconciliation Analysis** | 4C's signature Invoice Reconciliation program is designed to reconcile health plan invoices and payments against plan claims data for the purpose of identifying hidden and improperly paid fees.

The following second-quarter report reflects the status of the engagement as of June 30, 2024.

Objectives of this Report

As outlined in the Personal Service Contract for Medical Benefits Claims Monitoring, the objectives of this report include the following:

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



Legislative Authority for Review: Kentucky SB 42 (2023)¹

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, DEI 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 Conducted

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

Statement of Findings

The results of 4C's review along with associated dollar amounts for potential improper payments are divided into three categories: Payment Accuracy, Invoice Reconciliation – Plan Payment Irregularities, and Invoice Reconciliation – Fees & Programs. While subrogation findings are technically a component of 4C's Payment Accuracy review, they have been separated in this report to align with Anthem's request for subrogation to have its own monthly file, as these findings are handled by separate departments within Anthem's organization.

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>



Payment Accuracy

January 2024 - Payment Accuracy | \$2,712,440

4C conducted a comprehensive review of \$151 million in health plan claims paid by Anthem on behalf of the Plan in January 2024. This analysis identified approximately \$1.4 million in potentially improper payments. 4C submitted these preliminary findings to Anthem on March 25, 2024, and received initial and revised responses on April 16 and June 11, 2024, respectively. The revised response was requested due to the general nature of Anthem's initial feedback. As of this report's date, 4C is still awaiting more detailed information regarding Anthem's denials of contract-related findings. The tables depicted below

January 2024 Payment Accuracy Submissions				
Categories	# of Cases	Plan Dollars at Risk	Member Dollars at Risk	Total at Risk
Eligibility	1,568	\$254,808	\$68,108	\$322,916
Outliers - Payment	767	\$269,542	\$45,356	\$314,898
Coding Errors	609	\$167,595	\$35,366	\$202,961
CMS NCCI Edits	404	\$179,438	\$17,665	\$197,103
Unbundling Errors	377	\$134,382	\$2,730	\$137,112
Duplicates	323	\$122,683	\$3,080	\$125,763
Excessive Billing	70	\$109,775	\$1,466	\$111,241
Modifiers Reduction Errors	145	\$9,084	\$2,631	\$11,715
Anesthesia	9	\$4,350	\$213	\$4,563
Pharmacy	4	\$3,719	\$3,055	\$6,774
Outliers - Pharmacy	34	\$2,351	\$107	\$2,457
COVID-19	25	\$579	\$967	\$1,546
Grand Total	4,335	\$1,258,306	\$180,744	\$1,439,049

Anthem's initial response to 4C's findings indicated agreement on approximately 14% of the submitted claims, representing nearly 9% of the submitted dollar amount for a total of \$122,407. The majority of findings were denied, but with insufficient justification provided for the payments in question. Notably, some denials pertain to claims where Anthem identified the savings opportunity before 4C, suggesting the validity of the finding but highlighting a disagreement on the attribution of origin. 4C looks forward to continuing to collaborate with Anthem to secure adequate justification for payment for the unresolved at-risk scenarios.



January 2024 Payment Accuracy - Carrier Response								
Carrier Response	# of Cases	% of Cases	Plan Dollars at Risk	% of Plan Dollars At Risk	Member Dollars at Risk	% of Member Dollars at Risk	Total at Risk	Total % at Risk
Agree	602	13.89%	\$94,880	7.54%	\$27,526	15.23%	\$122,407	8.51%
Disagree	3,113	71.81%	\$813,455	64.65%	\$135,895	75.19%	\$949,350	65.97%
Hold	620	14.30%	\$349,969	27.81%	\$17,323	9.58%	\$367,292	25.52%
Grand Total	4,335	100.00%	\$1,258,304	100.00%	\$180,744	100.00%	\$1,439,049	100.00%

Of the 3,113 claims denied by Anthem, the following table details which claims 4C is rebutting or voiding, along with the corresponding reasons for each.

Rebuttal Status Definitions

- **Rebuttal** | Findings in which 4C still believes a potential overpayment occurred due to inadequate justification provided for payment.
- **Void - Carrier Policy** | Findings withdrawn from consideration due to evidence of a governing carrier policy.
- **Void - Client Discretion** | Findings deemed out of scope by KEHP.
- **Void Logic** | Findings withdrawn due to an identified configuration error in the underlying rule logic.
- **Void - Other** | Findings withdrawn for any other reason than those enumerated above.

Gender-related cases and cases falling below the \$30 threshold are under ongoing review by 4C. However, all parties have agreed to exclude these from the findings submitted to Anthem. Should 4C's review identify systematic issues, KEHP will be notified to assess whether these findings warrant review by Anthem.

January 2024 Payment Accuracy - 4C Rebuttals					
Rebuttal Status	# of Cases	% of Cases	Plan Dollars at Risk	% of Dollars At Risk	Total at Risk
Rebuttal	1,359	43.66%	\$639,000	78.55%	\$696,415
Void - Carrier Policy	62	1.99%	\$12,345	1.52%	\$14,136



Void - Client Discretion - Analyst	1,178	37.84%	\$13,922	1.71%	\$63,044
Void - Logic	460	14.78%	\$105,576	12.98%	\$133,143
Void - Other	54	1.73%	\$42,612	5.24%	\$42,612
Grand Total	3,113	100.0%	\$813,455	100.0%	\$949,350

February 2024 - Payment Accuracy | \$2,465,978

4C analyzed 100% of the health plan claims paid by Anthem on behalf of the Plan during the month of February 2024 – which amounted to a review of \$151 million dollars’ worth of claims. The Payment Accuracy review identified approximately \$2.4 million in potential improper payments. The preliminary findings for February were submitted to Anthem on April 30, 2024, and 4C received Anthem’s responses on May 14, 2024. A revised response file was provided to 4C on July 3, 2024. While Anthem's responses for February showed greater specificity compared to the prior month, 4C still requires further detail regarding Anthem's denials of contract-related findings.

February 2024 Payment Accuracy - Category Level				
Categories	# of Cases	Plan Dollars at Risk	Member Dollars at Risk	Total at Risk
Eligibility	1,537	\$1,080,807	\$74,551	\$1,155,358
Outliers - Payment	970	\$392,665	\$61,002	\$453,667
Coding Errors	282	\$114,457	\$33,441	\$147,898
CMS NCCI Edits	426	\$109,025	\$19,589	\$128,614
Unbundling Errors	400	\$101,796	\$6,204	\$108,000
Excessive Billing	89	\$73,362	\$3,146	\$76,509
Duplicates	296	\$38,077	\$3,703	\$41,780
Modifiers Reduction Errors	114	\$12,311	\$2,144	\$14,456
Outliers - Pharmacy	26	\$8,474	\$480	\$8,954
Anesthesia	17	\$5,611	\$1,169	\$6,780
COVID-19	33	\$1,122	\$1,169	\$2,291
Pharmacy	1	\$511	\$1,037	\$1,549
Grand Total	4,191	\$1,938,218	\$207,635	\$2,145,856

Anthem's initial response to 4C's findings indicated agreement on approximately 11% of the submitted claims, representing nearly 5% of the submitted dollar amount for a total of \$104,500. The majority of findings were denied, but 4C has requested additional justification from Anthem



for the payments in question. Notably, some denials pertain to claims where Anthem identified the savings opportunity before 4C, suggesting the validity of the finding but highlighting a disagreement on the attribution of origin. 4C looks forward to continuing to collaborate with Anthem to secure adequate justification for payment for the unresolved at-risk scenarios.

February 2024 Payment Accuracy - Carrier Response								
Carrier Response	# of Cases	% of Cases	Plan Dollars at Risk	% of Plan Dollars At Risk	Member Dollars at Risk	% of Member Dollars at Risk	Total at Risk	Total % at Risk
Agree	457	10.90%	\$77,726	4.01%	\$26,775	12.90%	\$104,500	4.87%
Disagree	2,862	68.29%	\$1,430,173	73.79%	\$154,816	74.56%	\$1,584,989	73.86%
Hold	872	20.81%	\$430,321	22.20%	\$26,045	12.54%	\$456,366	21.27%
Grand Total	4,191	100.00%	\$1,938,220	100.00%	\$207,636	100.00%	\$2,145,856	100.00%

March 2024 - Payment Accuracy | \$1,755,625

4C analyzed 100% of the health plan claims paid by Anthem on behalf of the Plan during the month of March 2024 – which amounted to a review of \$140 million dollars’ worth of claims. The Payment Accuracy review identified approximately \$1.7 million in potential improper payments. The preliminary March findings were submitted to Anthem on May 21, 2024, with a response expected in July 2024.

March 2024 Payment Accuracy - Category Level				
Categories	# of Cases	Plan Dollars at Risk	Member Dollars at Risk	Total at Risk
Unbundling Errors	148	\$365,125	\$6,842	\$371,967
Eligibility	684	\$334,365	\$36,065	\$370,430
Outliers - Payment	879	\$242,682	\$44,550	\$287,232
Coding Errors	345	\$143,058	\$31,009	\$174,067
Duplicates	223	\$92,134	\$8,062	\$100,196
CMS NCCI Edits	265	\$74,952	\$16,525	\$91,476
Excessive Billing	61	\$71,732	\$2,441	\$74,173
Outliers - Pharmacy	37	\$17,027	\$358	\$17,385
Modifiers Reduction Errors	46	\$15,804	\$1,696	\$17,500
Pharmacy	6	\$9,967	\$2,166	\$12,133



Anesthesia	11	\$4,432	\$332	\$4,764
COVID-19	46	\$2,260	\$1,284	\$3,544
Grand Total	2,751	\$1,373,538	\$151,330	\$1,524,867

April 2024 - Payment Accuracy | \$1,740,179

4C analyzed 100% of the health plan claims paid by Anthem on behalf of the Plan during the month of April 2024 – which amounted to a review of \$133 million dollars’ worth of claims. 4C’s Payment Accuracy review identified approximately \$1.7 million in potential improper payments. The April preliminary findings were submitted to Anthem on June 19, 2024, with a response expected in either July or August 2024.

April 2024 Payment Accuracy - Category Level				
Categories	# of Cases	Plan Dollars at Risk	Member Dollars at Risk	Total at Risk
Coding Errors	190	\$418,700	\$25,895	\$444,595
Duplicates	206	\$387,304	\$2,936	\$390,240
Eligibility	551	\$189,028	\$25,449	\$214,477
Outliers - Payment	508	\$167,293	\$17,642	\$184,935
CMS NCCI Edits	210	\$144,073	\$15,253	\$159,326
Excessive Billing	150	\$42,493	\$4,733	\$47,226
Modifiers Reduction Errors	70	\$34,380	\$2,192	\$36,572
Unbundling Errors	74	\$24,668	\$1,628	\$26,296
Outliers - Pharmacy	20	\$6,898	\$1,623	\$8,521
COVID-19	38	\$2,847	\$275	\$3,122
Pharmacy	3	\$1,832	\$1,088	\$2,920
Anesthesia	7	\$1,321	\$121	\$1,442
Grand Total	2,027	\$1,420,837	\$98,835	\$1,519,672

Subrogation

As stated above, subrogation findings are technically a component of 4C’s Payment Accuracy review, but they have been separated in this report to align with Anthem’s request for subrogation to have its own monthly file, as these findings are handled by separate departments within Anthem’s organization.

January 2024 - Subrogation | \$1,273,391



The January 2024 subrogation preliminary findings, totaling \$1,273,391, were initially included in the larger Payment Accuracy file delivered to Anthem on March 25, 2024. However, after discussions with Anthem, it was determined that the subrogation findings should be submitted separately from the Payment Accuracy file. Therefore, a separate subrogation file was subsequently submitted to Anthem on May 8th, 2024. 4C received initial responses from Anthem on April 30, 2024, with a revised version received on June 18, 2024.

January 2024 Payment Accuracy (Subrogation) - Carrier Response			
Carrier Response	# of Cases	Plan Dollars at Risk	Total at Risk
Denied	182	\$531,442	\$544,371
Hold	465	\$659,455	\$729,020
Grand Total	647	\$1,190,897	\$1,273,391

February 2024 - Subrogation | \$320,122

The February 2024 subrogation preliminary findings, totaling \$320,122, were submitted to Anthem on April 30, 2024. 4C received responses from Anthem on May 2, 2024.

February 2024 Payment Accuracy (Subrogation) - Carrier Response			
Carrier Response	# of Cases	Plan Dollars at Risk	Total at Risk
Denied	107	\$65,787	\$69,774
Hold	422	\$220,729	\$250,347
Grand Total	529	\$286,516	\$320,122

March 2024 - Subrogation | \$230,758

The March 2024 subrogation preliminary findings, totaling \$230,758, were submitted to Anthem on May 21, 2024. 4C received responses to the subrogation claims from Anthem on June 18, 2024. Anthem is still working on the larger March Payment Accuracy file which is expected to be delivered in July 2024.

March 2024 Payment Accuracy (Subrogation) - Carrier Response			
Carrier Response	# of Cases	Plan Dollars at Risk	Total at Risk
Denied	234	\$144,517	\$156,949
Hold	166	\$63,117	\$73,808
Grand Total	400	\$207,634	\$230,758



April 2024 - Subrogation | \$220,507

The April 2024 subrogation preliminary findings, totaling \$220,507, were submitted to Anthem on June 19, 2024, with a response expected in either July or August 2024.

April 2024 Payment Accuracy - Subrogation			
Category	# of Cases	Plan Dollars at Risk	Total at Risk
Subrogation	231	\$212,981	\$220,507
Grand Total	231	\$212,981	\$220,507

Q1 Invoice Reconciliation

Plan Payment Irregularities | \$63,751

4C's Invoice Reconciliation review for the months of January, February, and March encompassed a total medical spend of \$197,448,131. Out of the total medical spend analyzed, 4C identified \$63,751 that did not reconcile between the two datasets (medical claims data and the financial data).

Fees and Programs | \$300,700

Of the total \$197,448,131 of medical spend analyzed, \$5,619,237 was spent on fees and programs. Of the \$5,619,237 spent on fees and programs, 4C flagged \$300,700 for further review, consisting of:

- \$280,283 - Non-network savings fee for in-network providers based on the data provided by Anthem.
- \$264 - Non-network savings fee over the agreed 25% shared savings fee.
- \$20,154 - Program integrity fee over the 25% agreed shared savings fee.

Combined with \$63,751 in Plan Payment Irregularities, these findings represent a potential recovery opportunity of \$364,451 for KEHP in Q1.

Preliminary findings from the Q1 Invoice Reconciliation were shared with Anthem on June 14, 2024. As of the date of this report, Anthem is actively reviewing the identified discrepancies. A follow-up meeting is scheduled for July to discuss their responses and determine next steps regarding potential recoveries.



Key Challenges

4C is committed to conducting a thorough and comprehensive review of KEHP. However, roadblocks have been encountered, causing delays in the review process.

Specifically:

1. **Lack of Supporting Documentation:** Anthem has yet to provide the necessary documentation (e.g. provider contracts) to substantiate their claims processing decisions. Provider contract excerpts are crucial for us to understand the agreed-upon rates and terms between Anthem and its providers. Without this information, 4C cannot accurately assess whether payments align with these contracts, which is a core component of our contractual duties. Anthem has committed to providing this information as starting in July after an internal legal review and approval, which should permit for the expeditious review of previously contended findings.
2. **Absence of a Pass File:** 4C has requested a “pass file”, a document that outlines claims currently under review by Anthem’s team. By not receiving the file, it has hindered our ability to coordinate our efforts effectively and has ultimately led to duplicative work and inefficiencies in the review process.

To mitigate this issue, 4C has specifically requested that Anthem include a date stamp in their responses, indicating when they first identified a claim as a recovery opportunity. This simple addition would allow us to quickly discern whether Anthem was actively working on a claim before 4C identified it, thus minimizing unnecessary duplication of effort and focusing on new findings. 4C has yet to receive this information, however, discussions with Anthem are on-going in this regard..

Resolution of Errors

When a recovery opportunity is agreed upon, Anthem has committed to correct any errors in previous payments made by KEHP as a result of 4C’s findings. Those corrections may take either of the following forms:

1. If a summary of findings produces claims that were incorrectly adjudicated, it is the responsibility of Anthem to submit said claims to recovery for the appropriate recoupment through the claims system. Any credits yielded by this process will be reflected in future claims detail reports.



2. In the case of errors which resulted in the application of fees and/or other non-claims related errors, Anthem will coordinate directly with KEHP to devise both a settlement amount and mode of financial disbursement.

Savings Realized by KEHP

4C's review of Kentucky's Employee Health Plan has generated several positive outcomes. The recovery of funds directly benefits the plan, its members, and taxpayers. Additionally, these recoveries often lead to reimbursement for affected employees. The ongoing oversight serves as a gentle reminder for carriers to maintain vigilance in their practices, knowing that their actions are being monitored. Importantly, beyond the immediate financial gains, addressing identified issues has a broader positive impact. These improvements benefit not only the plan and its members but also extend to all of the carrier's plans, both self-funded and fully insured, creating a fairer and more efficient healthcare system. Moreover, as these issues are remediated, the plan will experience ongoing cost avoidance, ensuring long-term financial health and stability.

Next Steps

4C will continue to process data extracts from Anthem on a regular basis and communicate findings to Anthem promptly for review. Weekly meetings with Anthem will continue to discuss findings associated with KEHP data. 4C remains committed to working collaboratively with both KEHP and Anthem to resolve any issues that arise. By addressing issues collaboratively, a more efficient and effective review process can be achieved that benefits all parties involved.

4C is dedicated to working in good faith with both KEHP and Anthem, with DEI serving as the final arbiter of any disputes. 4C looks forward to continued collaboration and the shared goal of serving the Commonwealth of Kentucky.

