

Q4 2024 REPORT

Medical Benefit Claims Monitoring Findings Report

This report is as of December 31, 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
Pass File and Claim Coordination Instructions.....	4
Weekly Working Sessions with Anthem (January and February Findings).....	7
Next Steps.....	8



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 review of 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 a 12-month contract extension which includes a review of claims from July 1, 2024, through June 30, 2025.

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 third-quarter report reflects the status of the engagement as of September 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

Although no new findings were shared with Anthem during Q4, 4C, Anthem, and DEI used that time to collaborate on how to enhance the efficiency of the claims review process. The two primary areas of focus included the finalization of the Pass File and Claim Coordination Instructions, as well as weekly working sessions with Anthem where both parties were working to resolve January and February's findings. The progress made ensures for a more efficient engagement moving forward.

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>



Pass File and Claim Coordination Instructions

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 60 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 60-day working window may be during the soak period.</p> <p>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 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 that claim in error, to avoid double payment of integrity fees by the Commonwealth.</p>



Type of Claim Issue	Work Period After the Soak Period	Other Instructions	Treatment of Errors Identified after Soak Period
<p>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)</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 timeframe 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</p>



			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



			<p>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>
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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 will occur in Q1 2025. 4C and Anthem will work together to develop a new workflow/file delivery timeline that aligns with the new “pass file soak period”.

Weekly Working Sessions with Anthem (January and February Findings)

During Q4, Anthem continued to work through the January and February findings, with an expected completion date by year-end. 4C and Anthem collaborated weekly through working sessions which focused on clarifying questions, resolving potential issues related to the findings, and outlining the necessary supporting documentation required by 4C for accurate claims validation. As a result, Anthem was able to provide 4C batches of supporting documentation throughout the months of October-December, which allowed 4C to work in parallel updating their logic while Anthem continued working through the findings. As of December 31, 2024, 4C had not yet received Anthem’s January and February response file.



Next Steps

Once 4C receives Anthem's finalized January and February response file along with the proper supporting documentation, 4C will continue to refine their logic and rerun the April-June case review files (which had been previously submitted to Anthem) to improve the accuracy of the findings.

Following this, 4C will collaborate with Anthem to finalize the new workflow/file delivery timeline, ensuring alignment with the updated Pass File and Claim Coordination Instructions. Once finalized, 4C will begin delivering the April-October case review files starting in Q1 2025, as well as the Q3 Invoice Reconciliation findings as instructed by the new Pass File and Claim Coordination Instructions.

4C will continue to work closely with Anthem, providing ongoing support and communication, to ensure a smooth transition and successful implementation of these refined processes in Q1 2025.

