
Q2 2025 Quarterly Report

AS OF JUNE 30, 2025

Medical Benefit Claims Monitoring
Findings Report

QUARTERLY REPORT PRODUCED BY:

4C Digital Health

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Executive Summary

The following second-quarter report reflects the status of engagement as of June 30, 2025.

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.

Objectives of this Report

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

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 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

Q2 Progress Update

This section details the progress made in Q2 2025 on the next steps that were previously outlined in the Q1 Report.

Finalize January and February 2024 Findings: *Q2 Update - In Progress*

After reviewing Anthem's responses, 4C generated a client escalation file. This file contains cases where Anthem and 4C could not reach an agreement, requiring the Department's final determination. This process is expected to be completed in Q3 2025.

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

Following consultation with the Department, it was decided that the remaining backlog of Payment Accuracy findings (cases older than 90 days, as per the Pass File Instructions) would be delivered to Anthem during Q2. Moving forward, 4C will utilize the monthly Pass File and Pass File instructions to generate monthly case review files for Anthem's review.

Continued Monitoring of March 2024 Findings: *Q2 Update - In Progress*

4C held weekly working sessions with Anthem throughout Q2 to coordinate the ongoing review of the March 2024 findings and ensure continuous progress. The March 2024 responses are expected to be completed by Anthem in Q3.

Q3 2024 Invoice Reconciliation Delivery: *Q2 Update - In Progress*

The Q3 2024 findings were put on hold pending further review of KEHP's ASO agreement was needed. 4C will continue to identify and share Invoice Reconciliation findings with Anthem and the Department.

Establish Monthly Pass File Delivery: *Q2 Update - Complete*

Anthem has consistently delivered the updated Pass File to 4C by the 10th of each month throughout Q2, successfully establishing a consistent process. This consistent delivery has greatly supported 4C's internal processes and subsequent case review file generation.

Engagement Overview

| STATUS | CASE COUNT | TOTAL AT RISK PLAN DOLLARS |
|-------------------|------------|----------------------------|
| Recovered | 1,142 | \$246,950 |
| Awaiting Refund | 709 | \$474,081 |
| Closed | 6,711 | \$2,719,249 |
| Under Review | 17,269 | \$14,898,587 |
| Anthem | 15,633 | \$13,122,402 |
| 4C Digital Health | 327 | \$263,844 |
| The Department | 1,309 | \$1,512,341 |
| TOTALS | 25,831 | \$18,338,867 |

The chart above details the current status of all at-risk cases delivered by 4C to Anthem as of June 30, 2025. Of the total 25,831 cases submitted, 1,142 have been recovered, 709 are awaiting a refund, 6,711 have been closed, and 17,269 are currently under review.

The 17,269 cases under review have been broken down by the party responsible for the current review: Anthem, 4C, or the Department.

In Q2, 4C submitted 10,250 new cases to Anthem, representing a total of \$6,931,562 in net new findings.

Q2 Actioned Case Results

| STATUS | CASE COUNT | TOTAL AT RISK PLAN DOLLARS |
|-----------------|------------|----------------------------|
| Recovered | 39 | \$24,557 |
| Awaiting Refund | 166 | \$56,102 |
| Closed | 131 | \$52,990 |
| Under Review | 1,955 | \$1,380,326 |
| TOTALS | 2,291 | \$1,513,975 |

The chart above details the 2,291 cases from the total engagement that were actioned during Q2. Of these, 39 cases have been recovered, 166 are awaiting a refund, and 131 have been closed. The remaining 1,955 cases are currently under review, as 4C and Anthem collaborate during either the initial or secondary stages of review to determine a final status.

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 Q3 2025:

- **Finalize January and February 2024 Client Escalation File:** 4C will provide the Department with any assistance needed to facilitate final determination on the escalated cases.
- **Generate Monthly Case Review Files:** 4C will continue to utilize the Pass Files and the Pass File Instructions to generate monthly case review files for Anthem's review.
- **Continued Collaboration and Progress Monitoring:** 4C will continue to facilitate progress on the March 2024 through February 2025 findings through weekly working sessions with Anthem.
- **Invoice Reconciliation Delivery:** 4C will continue to identify and share Invoice Reconciliation findings with Anthem and the Department.
- **Inventory Aging Report:** 4C will continue developing customized aging reports to help the Department track case inventory and provide detailed insight into case review times.

Appendix

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 | 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 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. 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 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.”

| 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> | 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). | <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> |