
Q3 2025 Quarterly Report

AS OF SEPTEMBER 30, 2025

Medical Benefit Claims Monitoring
Findings Report

QUARTERLY REPORT PRODUCED BY:

4C Digital Health

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Executive Summary

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

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

Q3 Progress Update

This section details the progress made in Q3 2025 on the next steps outlined in the Q2 Report and includes any new developments.

Finalize January and February 2024 Findings: *Q3 Update - In Progress*

The escalation file (containing cases where Anthem and 4C could not reach an agreement) was delivered to the Department. After initial assessment, the Department sent the file to Anthem, requesting further information and explanation before they can issue a final determination for reach case. This is expected to be completed in Q4.

Generate and Refine Case Review Files: *Q3 Update - Completed / Ongoing*

Three monthly case review files (July, August, and September 2025) were generated and delivered to Anthem during Q3. This was accomplished using the Pass Files and Pass File Instructions.

Also, to streamline the review process and manage the increase in resources required by Anthem for internal investigation of BlueCard claims, all parties agreed to implement a \$1,000 claim payment threshold. 4C will continue to review 100% of all claims, but Anthem is only required to formally review those valued at \$1,000 or greater, or if a larger systematic issue is identified. This threshold allows for over 80% of the BlueCard related dollars at risk to be reviewed. As we resolve the current findings backlog, 4C will recommend decreasing or removing this threshold entirely.

Continued Collaboration and Progress Monitoring: *Q3 Update - In Progress*

4C and Anthem held weekly working sessions throughout Q3 to coordinate the ongoing review of outstanding 2024/2025 findings. These working sessions allow for collaboration across all parties and continual project progression. The goal remains for Anthem to complete their review of the 2024 findings by the end of Q4.

Invoice Reconciliation Delivery: *Q3 Update - Completed / Ongoing*

During Q3, 4C delivered all eligible Invoice Reconciliation findings to Anthem in accordance with the Pass File Instructions. Anthem's review of these findings is expected to be completed in Q4.

Inventory Aging Report: *Q3 Update - Completed / Ongoing*

4C developed customized aging reports to enhance the Department's oversight of the case review process. These reports provide detailed insight into case inventory and review times, serving two primary functions:

- **Monitoring:** Enabling the Department to actively track case movement and identify bottlenecks.
- **Accountability:** Driving timely case review across all involved parties to ensure Anthem issues prompt refunds to the Department.

Payment Integrity Engagement Overview

STATUS	CASE COUNT	TOTAL AT RISK PLAN DOLLARS
Recovered	1,216	\$264,057
Awaiting Refund	634	\$461,982
Closed	8,560	\$3,544,829
Under Review	23,046	\$19,132,397
Anthem	22,258	\$18,809,308
4C Digital Health	727	\$310,388
The Department	61	\$12,701
TOTALS	33,456	\$23,403,265

The chart above details the current status of all at-risk cases delivered by 4C to Anthem as of September 30, 2025. Of the total 33,456 cases submitted, 1,216 have been recovered, 634 are awaiting a refund, 8,560 have been closed, and 23,046 are currently under review.

The 23,046 cases under review have been broken down by the party responsible for the current review: Anthem, 4C, or the Department.

In Q3, 4C submitted 7,383 new cases to Anthem, representing a total of \$5,695,745 in net new findings.

Q3 Actioned Payment Integrity Case Results

STATUS	CASE COUNT	TOTAL AT RISK PLAN DOLLARS
Recovered	74	\$17,107
Awaiting Refund	22	\$48,096
Closed	1,849	\$825,580
TOTALS	1,945	\$890,783

The chart above details the 1,945 cases from the total engagement that were actioned during Q3. Of these, 74 cases have been recovered, 22 are awaiting a refund, and 1,849 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 Q4 2025:

- **Finalize January and February 2024 Client Escalation File:** 4C will monitor the resubmission of information from Anthem and provide the Department with the necessary support to ensure final case determinations are reached within Q4.
- **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 October, November, and December 2025 during Q4 for Anthem's review.
- **Continue Collaboration and Progress Monitoring:** To facilitate progress on the 2024/2025 backlog of findings, 4C will maintain weekly working sessions with Anthem to ensure continuous progress.
- **Invoice Reconciliation Delivery:** Throughout Q4, 4C will continue to identify and share Invoice Reconciliation findings with Anthem and the Department.
- **Inventory Aging Report:** 4C will continue providing the case aging reports to help the Department track case inventory and provide detailed insight into case review times.
- **Support New Anthem Resource:** Anthem has recently added a new team member to the engagement. 4C will continue to provide the necessary support to ensure a seamless integration into the project.

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>