

# Q1 2025 Quarterly Report

AS OF MARCH 31, 2025

Medical Benefit Claims Monitoring  
Findings Report

QUARTERLY REPORT PRODUCED BY:

**4C** Digital Health

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## Executive Summary

**The following first-quarter report reflects the status of engagement as of March 31, 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 a 12-month contract extension which includes a review of claims from July 1, 2024 through June 30, 2025.

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)<sup>1</sup> Legislative Authority for Review

Senate Bill 42 was signed into law March 3, 2023 amending KRS 18A.2258 <sup>2</sup> 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

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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

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Although no new findings were shared with Anthem during Q1, significant progress was made in resolving outstanding January and February findings through weekly working sessions between 4C and Anthem.

On March 28, 2025, 4C received the final comprehensive January and February response file as well as a Pass File from Anthem.

The Pass File, containing all claims flagged by Anthem's Program Integrity Aligned Incentives (PIAI) team from January 1, 2024, to February 28, 2025, in addition to the Pass File Instructions will be used by 4C when generating the subsequent case review file for Anthem.

## Next Steps

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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 Q2 2025.

The following actions will be taken in Q2 2025:

- **Finalize January and February 2024 Case Reviews:** 4C will thoroughly review Anthem's responses to the January and February 2024 findings. Any cases requiring further clarification or resolution will be escalated to the Department for final determination.
- **Generate and Refine Case Review Files:** 4C will utilize the Pass File and the Pass File Instructions to generate a focused case review file for the period of April 2024 to December 2024, concentrating on seven rule categories. This approach is intended to provide Anthem with smaller, more digestible data sets to streamline their work on the existing backlog.
- **Continued Monitoring of March 2024 Findings:** Through weekly working sessions, 4C will continue monitoring Anthem's progress on the March 2024 findings.
- **Q3 2024 Invoice Reconciliation Delivery:** 4C will share the Q3 2024 Invoice Reconciliation results with KEHP.
- **Establish Monthly Pass File Delivery:** Anthem will implement a consistent process for delivering an updated Pass File to 4C by the 10th of each month.

# 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 the Department 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 the Department for the realized savings from that error once the claim has been resolved. In the event the Department 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 the Department will evaluate. In the event the Department 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 the Department for realized savings given the parameters herein. In the event the Department 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, the Department 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 the Department for realized savings received by the Department.</p> <p>Notwithstanding the instructions for subrogation claims, 4C may continue to report all identified subrogation issues to the Department for analysis</p>