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Payment Integrity Findings Report

Kentucky Employees' Health Plan, Q4 2025

Submitted by:

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Preface

Background

HealthPlan Data Solutions, DBA Rivera and henceforth referred to as Rivera, has been contracted by the Commonwealth of Kentucky Department of Employee Insurance (KEHP) for pharmacy benefit claims monitoring. Rivera will analyze one hundred percent of pharmacy invoices or claims submitted for payment to KEHP by a KEHP Contracted Entity. This report is for the fourth quarter of 2025 and will be followed by similar reports in each subsequent quarter.

Rivera is a pharmacy payment intelligence software solutions company that leverages leading-edge technologies and industry expertise to identify opportunities in contract compliance, plan design, regulatory requirements, and pricing performance. Our emphasis on data-driven accuracy supports better outcomes for payers, Pharmacy Benefit Managers, and the members they serve.

Objectives

The objectives of this report outlined in the Personal Service Contract for Pharmacy Benefit Claims include the following:

- Summary of analysis conducted
- Statement of Contracted Entity's compliance
- Statement of errors identified
- Statement of resolutions of errors identified
- Savings realized by KEHP

Scope

Rivera has initiated the analysis of 100% of invoices and net paid claims administered by a KEHP Contracted Entity between the dates of January 1, 2023, and December 31, 2025. Below is a breakdown of the claim count, ingredient cost, and dispensing fee totals by quarter:

Quarter – Plan Year	Claim count	Ingredient cost	Dispensing fee
Q1 2023	1,055,251	\$188,599,886	\$117,718
Q2 2023	1,026,287	\$210,942,303	\$109,681
Q3 2023	1,036,153	\$216,983,063	\$126,848
Q4 2023	1,139,323	\$225,453,216	\$147,581
Q1 2024	1,071,987	\$219,495,096	\$133,001
Q2 2024	1,057,730	\$238,916,756	\$129,469
Q3 2024	1,091,090	\$262,393,200	\$139,647
Q4 2024	1,111,122	\$258,695,514	\$143,645
Q1 2025	1,138,465	\$254,870,114	\$7,669,665
Q2 2025	1,087,190	\$279,298,222	\$7,433,847
Q3 2025	1,109,729	\$292,359,279	\$7,438,212
Q4 2025	1,170,593	\$310,164,839	\$7,828,925
Total	13,094,920	\$2,958,171,488	\$31,418,239

Rivera will conduct a “Near Real Time” analysis of 100% of invoices and net paid claims administered by a KEHP Contracted Entity as new invoices and net paid claims files are provided.

Rivera will complete the following tasks as a part of this ongoing analysis:

- Identify and correct errors in pharmacy benefit claims to avoid or reduce erroneous overpayments by KEHP through KEHP Contracted Entities.
- Identify underpayments made by the KEHP Contracted Entities.
- Identify inappropriate or erroneous fees imposed by a KEHP Contracted Entity.

Rivera has taken the following factors into consideration throughout the analysis:

- Compliance with all state and federal laws relating to or applicable to KEHP.

- Compliance with any contract between the Personnel Cabinet and KEHP Contracted Entities.

Identified	Resolved	Description	Discrepancy resolved
Q1	Q1 '23	Insulin Cost Sharing Cap	\$16,813
Q1	Q4 '23	Claims Paid at an Amount Greater Than Pharmacy Usual and Customary Price	\$944,391
Q1	Q1 '23	Specialty Fee Schedule Pricing	\$63,374
Q1	Q2 '23	340B Claims Categorization	Resolved
Q2	Q3 '23	Multisource Brand Claims Rebill	\$73,248
Q2	Q4 '23	Compound Claims Level of Effort	N/A
Q3	Q1 '24	Service Level Agreement Penalty	\$67,500
Q1	TBD	NADAC Pricing	In Progress
Q1	Q3 '25	Symbicort Formulary Update	Resolved
Q3	Q3 '25	Continuous Glucose Monitor Prior Authorization	Resolved

- The market competitiveness of pharmacy benefit payments including the adequacy of payments to pharmacies.

Findings summary

Analysis

Rivera reviewed the Contract for Pharmacy Benefits Administration for the Kentucky Employee's Health Plan, amendments and plan requirements documents to activate the appropriate Rivera proprietary Claim Scans. These scans were supported by the KEHP Contracted Entity provided pharmacy network lists, drug lists, prior authorization files, and formulary documents.

Findings

- **Insulin Cost Sharing Cap** – The KEHP Contracted Entity divided this finding into two service warranties. The first of which has been paid to KEHP in the amount of \$7,476.37. This amount

has been credited to the members. The remaining claims were part of a second service warranty that was also resolved.

- **Claims paid at an amount greater than pharmacy usual and customary price** – Contracted Entity has executed a service warranty and impacted claims were appropriately identified and re-adjudicated. The KEHP Contracted Entity has not provided documentation to support any claim paying at a price greater than usual and customary. The KEHP Contracted Entity has done a root-cause-analysis and determined the error occurred with plan set-up beginning 1/1/2022 and this was confirmed by Rivera. KEHP Contracted Entity issued a service warranty that refunded members \$64,957.98, and KEHP \$944,390.88, totaling \$1,009,348.86.
- **Specialty Fee Schedule Pricing** – Error has been agreed to for the amount above. A service warranty has been paid to KEHP for this finding.
- **340B claims** – Will be categorized according to the KEHP contractual definition by utilizing a new pharmacy claims file format provided by the KEHP Contracted Entity. Rivera will submit claims samples for review. Rivera and KEHP Contracted Entity agreed upon a format to monitor these claims and Rivera has determined that KEHP Contracted Entity is following the definition of 340B claim when excluding claims.
- **Multisource Brand Claims Rebill**– Rivera has worked with KEHP Contracted Entity to determine the net effect of the rebill on KEHP. KEHP has issued a service warranty for the difference charged to KEHP and the members. KEHP Contracted Entity has provided sufficient documentation for Rivera to validate these claims.
- **Compound Claims Level of Effort** – Rivera requested a detailed compound data file from the KEHP Contracted Entity in May 2023 to assess the issues with the Level of Effort charges. Rivera has reviewed the file and determined that a large number of compound claims stem from one pharmacy. KEHP Contracted Entity performed a desk audit of this pharmacy to ensure the validity of these claims. KEHP Contracted Entity determined these claims were billed correctly and did not require adjustment. Rivera is working with KEHP to implement a cap on compound price without requiring prior approval. This has been implemented in 2024.
- **Service Level Agreement Penalties** – Rivera identified that claims paid at an amount greater than pharmacy usual and customary price from 1/1/2022 – 7/31/2023. Rivera calculated that the error led to a claims processing accuracy rate for 2022 and each of the three quarters for 2023 that fell below the agreement for the KEHP Contracted Entity to process at a rate greater than 99.95%. Rivera has requested that the KEHP Contracted Entity resolve this

issue by paying the penalty. KEHP Contracted Entity did an additional audit for the time period and agreed to a payment of \$67,500.

- **NADAC Pricing** – In 2025, Kentucky began enforcing a law requiring the use of NADAC pricing for prescription billings. Our analysis is based on a NADAC pricing scan, which reviewed all retail claims filled in Kentucky that were not charged using NADAC pricing. Rivera is currently working with KEHP Contracted Entity to resolve this issue.
- **Symbicort Formulary Update** – The 2025 formulary update does not include Symbicort. Rivera identified 10 claims were filled for Symbicort in 2025 without Prior authorization. This issue has been resolved, and no discrepancies were agreed on.
- **Continuous Glucose Monitor Prior Authorization** – Rivera is identifying instances of multiple Prior Authorizations given to a single patient who is receiving a CGM. Rivera has resolved this issue with KEHP Contracted Entity.

Compliance Summary

Rivera analyzed 100% of claims adjudicated during the second quarter of 2025 to ensure that they met all regulatory and contractual obligations of the KEHP Contracted Entity. The categories and specific areas of analysis are listed in the table below. Rivera has found that the KEHP Contracted Entity has met all regulatory and contractual obligations during the second quarter of 2025. Clean scan rate is calculated by comparing the number of scans with potential findings/discrepancies with the number scans run. Rivera runs 122 scans for KEHP on a weekly basis. The list of scans is below and has resulted in a clean scan rate of 99.80%.

- **Claim Scan categories and scan examples**
 - **Contract Adherence – running 44 scans**
 - Specialty List Discounts
 - MAC Pricing Validation
 - Brand/Generic Definition Application
 - **Plan Design – running 40 scans**
 - Non-Formulary Scan
 - Out-of-Network Scan
 - Coordination-of-Benefits Applications
 - **Price Management – running 18 scans**
 - Identifying Compounds with High Level of Effort
 - Non-Competitive Over-the-Counter pricing

- Repackaged Drug Scan
- **Regulatory- running 16 scans**
 - ACA Drug List Copay Compliance
 - Subrogation Claim Validation
 - Rx Filled After Expiration Date
- **Treatment Protocols- running 4 scans**
 - Package Size Check
 - FDA Daily Dose Limit
 - FDA Specialty Daily Dose Limit
 - Shingrix 3rd Dose

The compliance check also ensures that the corrective action taken to fix previously identified errors is still performing as intended. These corrective actions have led to KEHP realizing the cost avoidance listed in the table below:

Note: Rivera also checked 340B Claims Categorization, Multisource Brand Claims, and Compound Claims Level of Effort to ensure that claims are being adjudicated correctly. These issues have been resolved but are not calculated into cost avoidance.

NADAC Pricing

Background

In 2025, KEHP began enforcing a law pursuant to KRS 304.17A-595 requiring prescriptions filled within the Commonwealth of Kentucky to price at the lower of NADAC or Usual and Customary. Rivera analyzed all claims filled at a pharmacy within the Commonwealth using our NADAC pricing scan. This scan compares the price paid to the NADAC price as of the date of the claim.

Analysis

To ensure accuracy, we excluded specialty claims, adjusted for dispensing fees, and accounted for UC claims.

Findings

Rivera initially identified 11,116 claims from period 1/2/2025 – 2/16/2025 that were not adjudicated using the new NADAC pricing model. Rivera provided these claims examples to the KEHP Contracted Entity.

Resolution and Status

Rivera and the KEHP Contracted Entity are in the process of reviewing and resolving this issue on behalf of KEHP. We have resolved 205 with the KEHP Contracted Entity to date. Rivera is still working with the KEHP Contracted Entity to review and resolve the remaining 10,911 claims. Rivera will create an updated analysis for the remainder of 2025 to evaluate continued financial impact of this issue, and will communicate findings and continue to pursue resolution with KEHP Contracted Entity.

Symbicort Formulary Update Finding

Background

In January 2025, KEHP's updated formulary removed Symbicort as a covered item without a prior authorization.

Analysis

Rivera utilized the non-formulary scan to identify instances in which a claim is filled for a non-formulary item without prior authorization. The prior authorization indicator in the data was validated using a separate prior authorization file provided by KEHP Contracted Entity.

Findings

Rivera Identified 3 Symbicort claims were filled in 2025 without Prior authorization.

Resolution and Status

Rivera and the KEHP Contracted Entity are in the process of reviewing and resolving this issue on behalf of KEHP.

Appendix – Findings Detail

Exceeding 304.17A-148 Coverage for Diabetes cap on cost-sharing requirements for Insulin

Background

Commonwealth of Kentucky Department of Insurance Bulletin 2021-002 states that House Bill 95 “amends KRS 304.17A-148 to limit the cost-sharing for a covered prescription insurance drug to \$30 per 30 day supply regardless of the amount or type of insulin needed to meet the covered person’s insulin needs ...For purposes of this statute, “cost-sharing” has the same meaning as in KRS 304.17A-164, which includes the cost to an individual insured under a health benefit plan according to any coverage limit, copayment, coinsurance, deductible, or other out-of-pocket expense requirements imposed by the plan ... The provisions of this Act apply to the state employee health plan, but do not apply to other governmental self-insured plans.”

Analysis

Rivera reviewed the claims files provided to identify any claims filled with insulin (Medi-Span GPI starting with 2710) where the patient pay amount exceeded \$30 per thirty days filled per prescription.

Previously Identified Error	Cost Avoidance Q2 2024	Cost Avoidance 2024 YTD
Insulin Cost Sharing Cap	\$16,813	\$33,626
Claims Paid at an Amount Greater Than Pharmacy Usual and Customary Price	\$141,659	\$283,318
Specialty Fee Schedule Pricing	\$63,374	\$126,748
TOTAL	\$221,846	\$443,692

Findings

Rivera identified 704 claims filled through Q2 2023 which adjudicated at a total of \$16,813 greater than cost-sharing limit in House Bill 95.

Resolution and Status

The KEHP Contracted Entity divided this finding into two service warranties. The first of which has been paid to KEHP in the amount of \$7,476.37. This amount has been credited to the members. The remaining claims were part of a second service warranty that was also resolved.

Usual and Customary Pricing Check

Background

The following definition for Usual and Customary or U&C appears in the 2021 Renewal Agreement Between KEHP Contracted Entity and The Commonwealth of Kentucky Article 1 (Definitions) of Exhibit 1:

"Usual and Customary or U&C. The lowest price a Participating Pharmacy would charge to a particular customer if such customer were paying cash for filling an identical prescription on that particular day at that particular location, as submitted by the Participating Pharmacy. This price must include any applicable dispensing fee and/or level of effort and must include any applicable discounts offered to attract customers."

The "Usual and Customary" is the self-reported price a pharmacy charges for a given prescription. This price is the amount typically charged to cash paying patients. Schedule C Pricing Exhibit 1 (iv) of the PBM master agreement states "Plan shall pay the lower of the Participating Pharmacy's U&C price or the discounted price plus dispensing fee." Since the "Usual and Customary" is the maximum price a pharmacy would charge for a prescription, all claims must adjudicate at a price equal to or below the U&C price.

Analysis

Rivera reviewed the data files provided to identify claims paid at a cost that was higher than Usual & Customary:

$\text{Ingredient Cost} + \text{Dispensing Fee} > \text{Usual and Customary}$

Findings

Rivera identified 45,776 claims filled from 1/1/22 through 7/31/23 which adjudicated at a total of \$944,390.88 greater than Usual & Customary price.

Resolution and Status

KEHP Contracted Entity has executed a service warranty and impacted claims were appropriately identified and re-adjudicated. The KEHP Contracted Entity has not provided documentation to support any claim paying at a price greater than usual and customary. The KEHP Contracted Entity

has done a root-cause-analysis and determined the error occurred with plan set-up beginning 1/1/2022 and this was confirmed by Rivera. KEHP Contracted Entity issued a service warranty that refunded members \$64,957.98, and KEHP \$944,390.88, totaling \$1,009,348.86.

Specialty Network Pricing Accuracy and List Prices

Background

The Client Requirements Document (CRD) between the KEHP Contracted Entity and KEHP forms an Extended Exclusive Specialty Network (EESN) applicable to claims for medications that are part of the specialty list and filled at pharmacies in this network. In the MSA, a specialty drug is defined as certain pharmaceuticals, biotech or biological drugs that are Covered Drugs and that are used by Caremark in the management of chronic or genetic disease, including but not limited to injectable, infused or oral medications, or products that otherwise require special handling, including without limitation those listed in Attachment A of Exhibit 1. The specialty lists included in Exhibit 2 from the 2023 Amendment to the MSA contain the guaranteed discount off AWP applicable to claims for these medications. Claims paid outside of the EESN are included in the calculation of the traditional retail pricing terms guarantee. Limited Distribution Drugs (LDD) and New to Market (NTM) drugs are excluded from the overall effective discount for the EESN and are included in the retail guarantee instead.

Analysis

Rivera was provided with LDD and NTM lists. Rivera was also provided with the list of pharmacies that make up the EESN. Rivera compared the discounts from the specialty drug list from the MSA and Exhibit 2 of the 2023 amendment to the provided claims file. Rivera then calculated the discount achieved on the claim using the following formula: $1 - \text{Ingredient Cost} / (\text{AWP Unit Price} * \text{Quantity})$. Rivera identified claims in which the discount achieved was less than the listed discount on EESN specialty claims.

Findings

Rivera identified twenty-three claims filled at specialty pharmacies within the EESN in which the achieved discount was less than the contractually listed discount. Below is a table of the findings.

Drug	Claim Count	List Discount	Discount Achieved	Ingredient Cost Discrepancy
Chorionic Gonadotropin 10000	1	16.50%	0.00%	\$309
Glatiramer Prefilled Syringe 40mg/ml	14	80.00%	37.00%	\$64,929
Lynparza 100mg	1	16.50%	0.00%	\$3,146
Lynparza 150mg	7	16.50%	0.00%	\$22,019
Total	23			\$90,402

Resolution and Status

The KEHP Contracted Entity has issued a service warranty and paid KEHP for the discrepancy, with \$63,374.76 paid to the Plan as claims adjustments, and \$26,216.52 in copay adjustments to members.

340B Pharmacy Identification and Exclusion

Background

In the master services agreement (MSA) between the KEHP Contracted Entity and KEHP an algorithm outlines the methodology for identifying 340B claims. This algorithm is used to identify 340B claims for the purpose of excluding those claims from pricing performance and dispensing fee guarantees. 340B claims are defined by the following algorithm in the PBM contract: “340B Claim” means a Claim identified by the submission of “20” in any of the Submission clarification Code fields and/or a Claim submitted by pharmacy owned by a covered entity, as defined in Section 340B(a)(4) of the Public Health Services Act, whose 340B status is coded as “38” or “39” in the NCPDP DataQ database.

Furthermore, 340B claims are excluded from pricing performance in the 2014 MSA and that exclusion is carried forward in subsequent amendments between the two parties. Therefore, proper identification of these claims is necessary for accurate pricing terms, performance calculations, and reporting.

Analysis

Rivera was provided claims from January 1, 2023, through March 31, 2023. Rivera used the NCPDP DataQ database to compare the pharmacy National Provider Identification (NPI) reported in the claims file to the NCPDP DataQ 340B status code. Rivera was also provided with a quarterly file that included claims identified by the KEHP Contracted Entity as 340B. Rivera used the Claim Number and Claim Sequence Number from this file to identify the claims in the claims file provided. Rivera then checked the identified claims against the DataQ 340B status code to determine if all claims identified as 340B met the algorithm in the MSA.

Findings

For Q1 2023 (1/1/23–3/31/23), the KEHP Contracted Entity identified 38,615 claims as 340B. Rivera was able to match 38,609 claims, totaling \$5,744,809.57 in spend by KEHP. The table below contains a breakdown of the 340B status indicator from DataQ and the number of claims and spend associated with each in the 340B claims provided file. There were no claims present in the claims file provided by the KEHP Contracted Entity with a Submission Clarification Code of ‘20’.

340B Status Code	340B Status Indicator	Claim Count	Sum of KEHP Pay
36	N	45	\$30,286
37	Y	466	\$82,488
38	Y	34,704	\$5,454,648
39	Y	3,216	\$167,432
No Match	No Match	178	\$9,955
Grand Total		38,609	\$5,744,810

Resolution and Status

Rivera and KEHP Contracted Entity have agreed upon a new pharmacy claims file format containing the information necessary to validate these claims and Rivera will continue to monitor for accuracy moving forward. Rivera has confirmed that KEHP Contracted Entity is correctly identifying 340B claims per the contractual definition.

Multisource Brand Claims Rebill

Background

In the master services agreement between the KEHP Contracted Entity and KEHP, amended in 2023, KEHP's member benefit changed to a two-tier copay structure, without a product selection penalty. Each claim is assigned a transaction id and sequence number, and each time the claim is adjusted or rebilled a new sequence number is assigned to denote the change in the claim status.

Analysis

Rivera compared the Claim Number and Claim Sequence Number of the final reported claim to each of the Claim Sequence Numbers prior to the final reported claim. Specifically, Rivera analyzed for differences in net amount due and patient pay amount. Rivera calculated the difference in net amount due and patient pay and reported claims where the net amount due or patient pay amount (or both) increased compared to original billing.

Findings

For the billing cycle ending in 5/8/2023, Rivera identified 468 claims in which there was a change in net amount due to patient pay resulting in a net increase in client pay of \$73,248 and net decrease in patient pay of \$3,857. These claims appear to have originally been paid at a generic price and when re-adjudicated, paid at the brand price. Rivera will determine if these claims were submitted for rebates and if rebates were passed on to KEHP.

Resolution and Status

Rivera was able to validate that KEHP was credited for the difference in a service warranty 5/3/2023. Rivera has received confirmation that these claims were submitted for rebate and paid correctly.

Compound Claims Level of Effort

Background

In the pharmacy manual provided by the KEHP Contracted Entity to network pharmacies there is a policy for proper billing of compounds and a stratified payment based on the submitted Level of Effort (LOE) for compound claims. Appropriate LOE billing ensures proper payment of compounds, while avoiding waste. The claims file currently provided to Rivera contains limited information on compound claims. Rivera requested a compound detail file, containing all the compound ingredients listed, to determine if the proper LOE was submitted by the pharmacy.

Analysis

Rivera analyzed compound detail file provided by KEHP Contracted Entity from 01.01.23 through 05.31.23. Rivera determined that there was one pharmacy submitting the majority of the compound claims with a higher level of effort paid.

Findings

Rivera identified 1,052 compound claims filled during the time measured. The majority of these claims are for multiple ingredient creams made from bulk powders. This resulted in \$117,873.74 in spend on compound claims.

Resolution and Status

KEHP Contracted Entity performed a desk audit of these claims and determined no further action was needed. KEHP will implement a \$50 compound cap starting January 2024. This cap should reduce the spending on compounds in 2024 for KEHP.

Service Level Agreement Penalties

Background

In the master agreement between KEHP and KEHP Contracted Entity effective Jan 1, 2015 Schedule D contains performance guarantees (PG). Each PG is allotted a percentage of the \$1,500,000 at risk to meet these guarantees. One of the PGs is Claims Processing Accuracy (retail, mail, and specialty). This PG states: Based on internal quality review, KEHP Contracted Entity guarantees that claims processing accuracy shall be 99.95% or greater, calculated as all claims audited and found to be without adjudication of any kind (i.e. any claim processing inaccuracy that results in an incorrect charge to the Commonwealth or its plan members) and divided by all claims audited. This is guaranteed at 3% risk annually (\$45,000/year).

Analysis

Rivera calculated the claims processing accuracy rate for 2022 and each of the three quarters for 2023, utilizing the calculation in the contract with KEHP Contracted Entity. The total number of agreed discrepancy claims was added together and divided by the number of claims for that quarter. Rivera used the number of claims for that quarter because 100% of claims were evaluated during the quarter.

Findings

Year	Quarter	Claim Count	Claim Error: Specialty Pricing	Claim Error: Insulin Copay Cap	Claim Error: Usual and Customary Not used	Claim Error: Total	Claim Accuracy Percentage	Missed PG
2022	Q1	1,019,213			4,338	4,338	99.57%	Yes
2022	Q2	1,026,093			5,983	5,983	99.42%	Yes
2022	Q3	1,041,218			6,815	6,815	99.35%	Yes
2022	Q4	1,141,268			7,359	7,359	99.36%	Yes
2022	Total	4,227,792			24,495	24,495	99.42%	N/A
2023	Q1	1,036,153	23	436	9,678	10,137	99.02%	Yes
2023	Q2	1,026,287		268	8,104	8,372	99.18%	Yes
2023	Q3	1,055,251			3,052	3,052	99.71%	Yes
2023	Total	3,117,691	23	704	20,834	21,561	99.31%	N/A

Resolution and Status

Rivera shared findings with the KEHP Contracted Entity for failure to meet Performance Guarantees in the contract for claims accuracy for all quarters measured. KEHP Contract Entity agreed to a Payment of \$33,750 for each plan year it identified an issue based on their internal audit. The total amount the KEHP Contracted Entity agreed to pay KEHP is \$67,500. The amount is less than Rivera' calculated amount based on the smaller audited sample size. Rivera has suggested contract language that would support a larger sample size in these types of audits going forward. This finding can now be considered resolved.