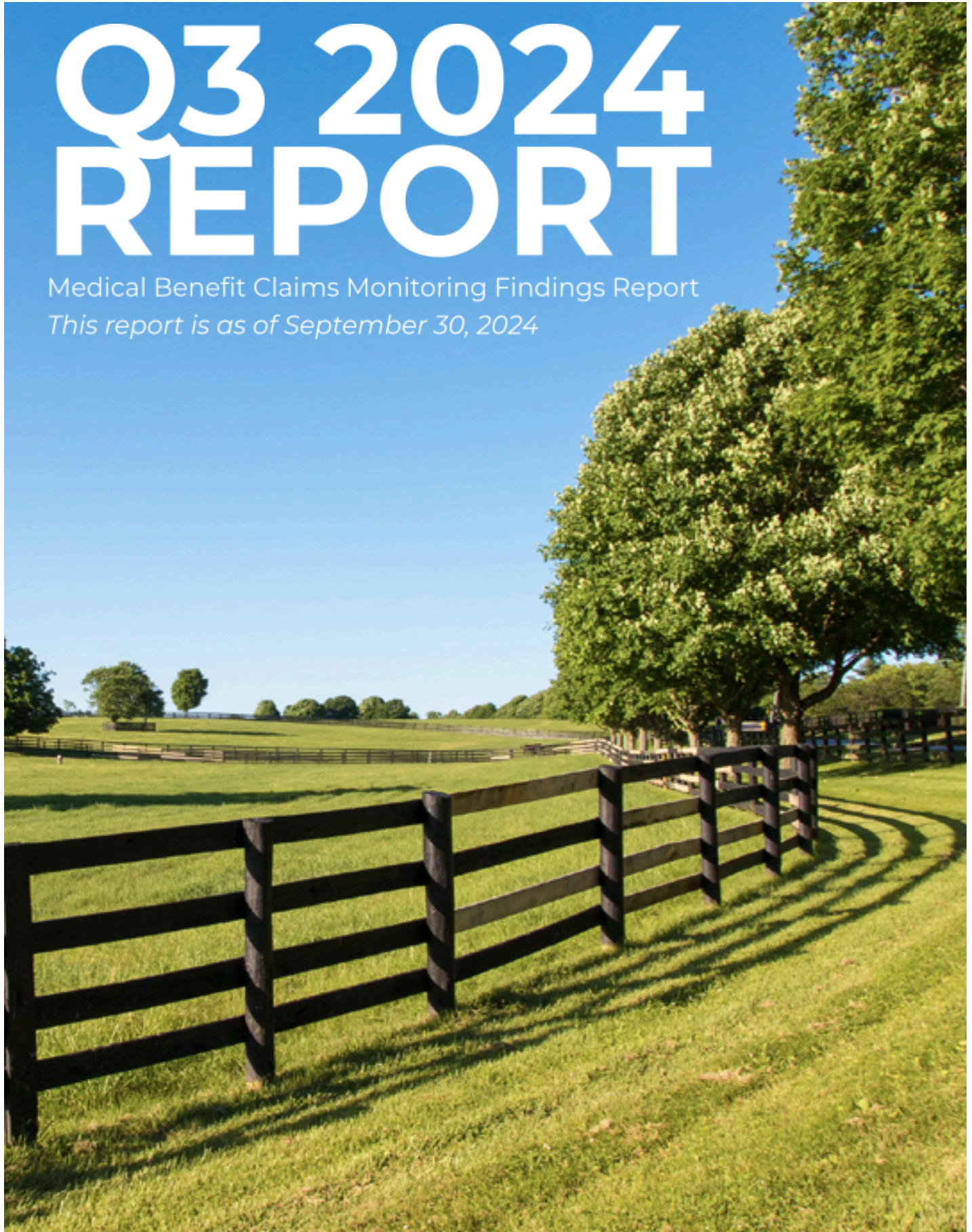


# Q3 2024 REPORT

Medical Benefit Claims Monitoring Findings Report  
*This report is as of September 30, 2024*



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## 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.

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## 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



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## Legislative Authority for Review: Kentucky SB 42 (2023)<sup>1</sup>

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, 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

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## 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

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## Statement of Findings

The results of 4C's review along with associated dollar amounts for potential improper payments are divided into three categories: Payment Accuracy, Invoice Reconciliation – Plan Payment Irregularities, and Invoice Reconciliation – Fees & Programs. While subrogation findings are technically a component of 4C's Payment Accuracy review, they have been

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<sup>1</sup> Senate Bill 42, <https://apps.legislature.ky.gov/record/23rs/sb42.html>

<sup>2</sup> 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>



separated in this report to align with Anthem's request for subrogation to have its own monthly file, as separate departments within Anthem's organization handle these findings.

## Payment Accuracy

### January 2024 - Payment Accuracy<sup>3</sup> | \$1,442,034

#### Initial Review by 4C

4C conducted a comprehensive review of \$151 million dollars worth of health plan claims paid by Anthem on behalf of the Plan in January 2024. This analysis identified 4,335 cases which amounted to approximately \$1.4 million in potentially improper payments. 4C submitted these preliminary findings to Anthem on March 25, 2024.

#### Q3: Progress Update<sup>4</sup>

As of the end of Q3, 4C and Anthem have collectively closed 2,231 cases, recovered \$206,549, and have agreed on 195 which are awaiting refunds. This leaves 1,469 cases still under review between the two organizations. See the table below:

January 2024 Payment Accuracy - Q3 Progress Update				
Findings File	Workflow	# of Cases	Plan Dollars at Risk	Total at Risk
January	Awaiting Refund	195	\$49,732	\$55,501
	Under Review	1,469	\$811,567	\$879,848
	Recovered	440	\$206,549	\$219,806
	Closed	2,231	\$191,956	\$286,880
<b>Grand Total</b>		<b>4,335</b>	<b>\$1,259,803</b>	<b>\$1,442,034</b>

#### Q3: Under Review Update

By the end of Q3, 4C had submitted rebuttals for 1,469 cases and is actively collaborating with Anthem to ensure sufficient responses and supporting documentation are provided for any case where Anthem disagrees with the overpayment determination. Further details can be found in the table below:

<sup>3</sup> In past reports, the total dollar amount listed for Payment Accuracy included subrogation findings. Beginning with this report, the Payment Accuracy total encompasses all categories reviewed except for subrogation. A detailed overview of subrogation findings can be found in the Subrogation section of this report.

<sup>4</sup> Please see the appendix for workflow definitions.



January 2024 Payment Accuracy - Q3 Under Review Statuses				
Findings File	Workflow	# of Cases	Plan Dollars at Risk	Total at Risk
January	4C Rebuttal - Analyst/Submitted	1,469	\$811,567	\$879,848
<b>Grand Total</b>		<b>1,469</b>	<b>\$811,567</b>	<b>\$879,848</b>

## February 2024 - Payment Accuracy | \$2,587,510

### Initial Review by 4C

4C analyzed 100% of the health plan claims paid by Anthem on behalf of the Plan during February 2024 – which amounted to a review of \$151 million dollars worth of claims. The Payment Accuracy review identified nearly \$2.6 million in potential improper payments. The preliminary findings for February were submitted to Anthem on April 30, 2024, and 4C received Anthem’s responses on May 14, 2024. A revised response file was provided to 4C on July 3, 2024.

### Q3: Progress Update

By the end of Q3, 4C and Anthem had collectively closed 1,855 cases, recovered \$170,703, and Agreed to an additional 95 cases awaiting refunds related to the February findings. This leaves 1,744 cases still under review across both organizations. Further details can be found in the table below.

February 2024 Payment Accuracy - Q3 Progress Update				
Findings File	Workflow	# of Cases	Plan Dollars at Risk	Total at Risk
February	Awaiting Refund	95	\$16,544	\$25,106
	Under Review	1,744	\$994,414	\$1,081,661
	Recovered	392	\$170,703	\$185,751
	Closed	1,855	\$1,204,442	\$1,294,993
<b>Grand Total</b>		<b>4,086</b>	<b>\$2,386,103</b>	<b>\$2,587,510</b>

### Q3: Under Review Update

By the end of Q3, 4C had submitted rebuttals for 1,744 cases and is actively collaborating with Anthem to ensure sufficient responses and supporting documentation are provided for any case where Anthem disagrees with the overpayment determination. Further details can be found in the table below.



February 2024 Payment Accuracy - Q3 Under Review Update				
Finding File	Workflow	# of Cases	Plan Dollars at Risk	Total at Risk
February	4C Rebuttal - Analyst/Submitted	1,744	\$994,414	\$1,081,661
<b>Grand Total</b>		<b>1,744</b>	<b>\$994,414</b>	<b>\$1,081,661</b>

### March 2024 - Payment Accuracy | \$1,693,115

#### Initial Review by 4C

4C analyzed 100% of the health plan claims paid by Anthem on behalf of the Plan during March 2024 – which amounted to a review of \$140 million dollars worth of claims. The Payment Accuracy review identified nearly \$1.7 million in potential improper payments. The preliminary March findings were submitted to Anthem on May 21, 2024.

#### Q3: Progress Update

4C submitted preliminary findings for March 2024 to Anthem in Q2. While these findings are currently under review by Anthem, a formal response has not yet been received as of the end of Q3. 4C anticipates a response in Q4.

March 2024 Payment Accuracy - Q3 Under Review Update				
Findings File	Workflow	# of Cases	Plan Dollars at Risk	Total at Risk
March	Under Review	2,706	\$1,543,462	\$1,693,115
<b>Grand Total</b>		<b>2,706</b>	<b>\$1,543,462</b>	<b>\$1,693,115</b>

### April 2024 - Payment Accuracy | \$1,456,307

#### Initial Review by 4C

4C analyzed 100% of the health plan claims paid by Anthem on behalf of the Plan during April 2024 – which amounted to a review of \$133 million dollars worth of claims. 4C's Payment Accuracy review identified nearly \$1.5 million in potential improper payments. The April preliminary findings were submitted to Anthem on June 19, 2024.

#### Q3: Progress Update

Preliminary findings for March 2024 were submitted to Anthem in Q2. Anthem has not submitted responses as of the end of Q3. 4C anticipates a response in Q4.



April 2024 Payment Accuracy - Q3 Progress Update				
Findings File	Workflow	# of Cases	Plan Dollars at Risk	Total at Risk
April	Under Review	2,028	\$1,317,190	\$1,423,038
	Closed	236	\$32,901	\$33,269
<b>Grand Total</b>		<b>2,264</b>	<b>\$1,350,090</b>	<b>\$1,456,307</b>

## May 2024 - Payment Accuracy | \$2,050,728

### Initial Review by 4C in Q3

4C analyzed 100% of the health plan claims paid by Anthem on behalf of the Plan during May 2024 – which amounted to a review of \$163 million dollars worth of claims. 4C’s Payment Accuracy review identified approximately \$2 million in net new potential improper payments in Q3. The May preliminary findings were submitted to Anthem on July 16, 2024. Responses have not been submitted by Anthem as of the end of Q3. 4C anticipates a response in Q4.

May 2024 Payment Accuracy - Category Level				
Categories	# of Cases	Plan Dollars at Risk	Member Dollars at Risk	Total at Risk
Outliers - Payment	1,158	\$666,658	\$43,833	\$710,491
Eligibility	385	\$508,143	\$26,952	\$535,094
Coding Errors	530	\$327,119	\$48,076	\$375,195
CMS NCCI Edits	201	\$138,760	\$3,942	\$142,702
Unbundling Errors	88	\$93,536	\$1,005	\$94,541
Duplicates	163	\$69,050	\$3,066	\$72,116
Modifiers Reduction Errors	80	\$46,459	\$2,290	\$48,750
Excessive Billing	84	\$41,079	\$1,805	\$42,885
COVID-19	155	\$12,705	\$1,237	\$13,942
Outliers - Pharmacy	18	\$9,147	\$692	\$9,839
Pharmacy	3	\$4,170	\$223	\$4,392
Anesthesia	6	\$629	\$150	\$779
<b>Grand Total</b>	<b>2,871</b>	<b>\$1,917,455</b>	<b>\$133,272</b>	<b>\$2,050,728</b>





## June 2024 - Payment Accuracy | \$692,985

### Initial Review by 4C in Q3

4C analyzed 100% of the health plan claims paid by Anthem on behalf of the Plan during June 2024 – which amounted to a review of \$208 million dollars worth of claims. 4C’s Payment Accuracy review identified nearly \$700 thousand in net new potential improper payments. This amount is lower than in previous months due to the data transmission from Anthem timing out, therefore 4C only received a portion of the June data. This was resolved and the rest of June’s findings will be submitted with the July findings in Q4. The June preliminary findings below were submitted to Anthem on August 19, 2024. Responses have not been submitted by Anthem as of the end of Q3. 4C anticipates a response in Q4.

<b>June 2024 Payment Accuracy - Category Level</b>				
<b>Categories</b>	<b># of Cases</b>	<b>Plan Dollars at Risk</b>	<b>Member Dollars at Risk</b>	<b>Total at Risk</b>
Eligibility	116	\$205,045	\$12,066	\$217,111
Coding Errors	286	\$157,042	\$14,257	\$171,299
Outliers - Payment	510	\$126,964	\$15,816	\$142,780
CMS NCCI Edits	178	\$66,268	\$5,155	\$71,423
Duplicates	56	\$29,528	\$1,130	\$30,659
Excessive Billing	22	\$18,856	\$180	\$19,036
Outliers - Pharmacy	26	\$15,802	\$1,720	\$17,522
Modifiers Reduction Errors	33	\$10,902	\$330	\$11,233
COVID-19	84	\$6,652	\$636	\$7,288
Unbundling Errors	24	\$3,958	\$340	\$4,299
Anesthesia	1	\$268	\$67	\$335
ML	382	\$54,893	\$0	\$0
<b>Grand Total</b>	<b>1,718</b>	<b>\$696,178</b>	<b>\$51,699</b>	<b>\$692,985</b>



## Subrogation

As stated above, subrogation findings are technically a component of 4C’s Payment Accuracy review, but they have been separated in this report to align with Anthem’s request for subrogation to have its own monthly file, as separate departments within Anthem’s organization handle these findings

### January 2024 - Subrogation | \$1,279,641

#### Initial Review by 4C

The January 2024 subrogation preliminary findings, totaling \$1,279,641, were initially included in the larger Payment Accuracy file delivered to Anthem on March 25, 2024. However, after discussions with Anthem, it was determined that the subrogation findings should be submitted separately from the Payment Accuracy file. Therefore, a separate subrogation file was subsequently submitted to Anthem on May 8th, 2024. 4C received initial responses from Anthem on April 30, 2024, with a revised version received on June 18, 2024.

#### Q3: Progress Update

As of the end of Q3, 4C and Anthem have collectively closed 76 cases, leaving 571 cases still under review between the two organizations. While 4C has identified these cases as potential subrogation recoveries, Anthem has denied all cases to date. Anthem’s position is that their internal processes require additional time to identify these opportunities, and they expect to capture these recoveries eventually. The new “Pass File and Claim Coordination Instructions” should help align these timelines and ensure timely identification of subrogation opportunities. See the table below:

January 2024 Subrogation - Q3 Progress Update				
Finding File	Workflow	# of Cases	Plan Dollars at Risk	Total at Risk
January	Under Review	571	\$1,048,259	\$1,126,739
	Closed	76	\$146,226	\$152,903
<b>Grand Total</b>		<b>647</b>	<b>\$1,194,484</b>	<b>\$1,279,641</b>

### February 2024 - Subrogation | \$322,607

#### Initial Review by 4C

The February 2024 subrogation preliminary findings, totaling \$322,607, were submitted to Anthem on April 30, 2024. Anthem responded on May 2, 2024, and after reviewing their response, 4C provided a rebuttal file on August 8, 2024.



### Q3: Progress Update

As of the end of Q3, 4C and Anthem have collectively closed 70 cases, leaving 427 cases still under review between the two organizations. While 4C has identified these cases as potential subrogation recoveries, Anthem has denied all cases to date. Anthem's position is that their internal processes require additional time to identify these opportunities, and they expect to capture these recoveries eventually. The new "Pass File and Claim Coordination Instructions" should help align these timelines and ensure timely identification of subrogation opportunities. See the table below:

February 2024 Subrogation - Q3 Progress Update				
Findings File	Workflow	# of Cases	Plan Dollars at Risk	Total at Risk
February	Under Review	427	\$235,342	\$266,348
	Closed	70	\$55,420	\$56,260
<b>Grand Total</b>		<b>497</b>	<b>\$290,762</b>	<b>\$322,607</b>

### March 2024 - Subrogation | \$320,089

#### Initial Review by 4C

The March 2024 subrogation preliminary findings, totaling \$320,089, were submitted to Anthem on May 21, 2024. 4C received responses to the subrogation claims from Anthem on June 18, 2024.

### Q3: Progress Update

As of the end of Q3, 4C and Anthem have collectively closed 3 cases, leaving 369 cases still under review between the two organizations. While 4C has identified these cases as potential subrogation recoveries, Anthem has denied all cases to date. Anthem's position is that their internal processes require additional time to identify these opportunities, and they expect to capture these recoveries eventually. The new "Pass File and Claim Coordination Instructions" should help align these timelines and ensure timely identification of subrogation opportunities. See the table below:



March 2024 Subrogation - Q3 Progress Update				
Findings File	Workflow	# of Cases	Plan Dollars at Risk	Total at Risk
March	Under Review	369	\$295,043	\$319,535
	Closed	3	\$532	\$553
<b>Grand Total</b>		<b>372</b>	<b>\$295,574</b>	<b>\$320,089</b>

### April 2024 - Subrogation | \$381,974

#### Initial Review by 4C

The April 2024 subrogation preliminary findings, totaling \$381,974, were submitted to Anthem on June 19, 2024. 4C received responses to the subrogation claims from Anthem on July 25, 2024. After reviewing Anthem’s responses, 4C provided Anthem with a rebuttal file on August 19, 2024.

#### Q3: Progress Update

As of the end of Q3, 4C and Anthem have collectively closed 86 cases, leaving 210 cases still under review between the two organizations. While 4C has identified these cases as potential subrogation recoveries, Anthem has denied all cases to date. Anthem's position is that their internal processes require additional time to identify these opportunities, and they expect to capture these recoveries eventually. The new “Pass File and Claim Coordination Instructions” should help align these timelines and ensure timely identification of subrogation opportunities. See the table below:

April 2024 Subrogation - Q3 Progress Update				
Findings File	Workflow	# of Cases	Plan Dollars at Risk	Total at Risk
April	Under Review	210	\$311,516	\$319,645
	Closed	86	\$58,753	\$62,329
<b>Grand Total</b>		<b>296</b>	<b>\$370,269</b>	<b>\$381,974</b>

### May 2024 - Subrogation | \$170,026

#### Initial Review by 4C in Q3

The May 2024 subrogation preliminary findings, totaling \$170,026, were submitted to Anthem on July 16, 2024. 4C received responses to the subrogation claims from Anthem on July 25, 2024.



May 2024 Subrogation - Q3 Progress Update				
Findings File	Workflow	# of Cases	Plan Dollars at Risk	Total at Risk
May	Under Review	178	\$154,217	\$168,266
	Closed	3	\$1,657	\$1,760
<b>Grand Total</b>		<b>181</b>	<b>\$155,874</b>	<b>\$170,026</b>

## June 2024 - Subrogation | \$316,322

### Initial Review by 4C in Q3

The June 2024 subrogation preliminary findings, totaling \$316,322, were submitted to Anthem on August 13, 2024. 4C anticipates a response in Q4 once the “Pass File and Claim Review Instructions” are finalized.

June 2024 Subrogation - Q3 Progress Update				
Findings File	Workflow	# of Cases	Plan Dollars at Risk	Total at Risk
June	Under Review	117	\$296,700	\$316,322
<b>Grand Total</b>		<b>117</b>	<b>\$296,700</b>	<b>\$316,322</b>

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## Q2 Invoice Reconciliation

### Plan Payment Irregularities | \$1,093,293

4C’s Invoice Reconciliation review for the months of April, May, June encompassed a total medical spend of \$324,245,123. Out of the total medical spend analyzed, 4C identified \$1,093,293 that did not reconcile between the two datasets (medical claims data and financial data). Of that \$1M, \$5,902 is over 180 days old.

### Fees and Programs | \$5,266,723

Of the total \$324,245,123 of medical spend analyzed, \$5,266,723 was spent on fees and programs. Of the \$5,266,723 spent on fees and programs, 4C flagged \$868,488 for further review, consisting of:



- \$339,745 - Non-network savings fee for in-network providers based on the data provided by Anthem.
- \$527,076 - ITS (BlueCard) Fees
  - Non-Network Saving Fee Amount - \$339,505
  - Program Integrity Fee Amount - \$187,571
- \$631.52 - Non-network savings fee over the agreed 25% shared savings fee.
- \$1,034 - Program integrity fee over the 25% agreed shared savings fee.

Combined with \$1,093,293 in Plan Payment Irregularities, of that \$1M, \$5,902 is over 180 days old. These findings represent a potential recovery opportunity of \$874,390 for KEHP in Q3.

In Q3, 4C identified \$271,122 in non-network savings fees that should be reimbursed to KEHP. This was accomplished by reviewing Q1 and Q2 Invoice Reconciliation findings and, using KEHP's Find Care provider directory (a tool provided by Anthem), confirming the in-network status of multiple providers in question. This effort stemmed from initial discrepancies identified from specific provider examples provided to Anthem on September 3, 2024, and Anthem's subsequent agreement to revisit previous findings. Anthem is actively reviewing these discrepancies. 4C is monitoring KEHP's claim detail reports to ensure the funds are properly credited and will resubmit the Q2 Invoice Reconciliation findings to Anthem in October 2024.

<b>NCN Fee for In-Network Providers</b>	
<b>Provider</b>	<b>Total at Risk</b>
Apollo Medical Group, LLC	\$80,089
Apollo Medical Group of Jeffersonville, LLC	\$75,508
ARH Tug Valley Health Services, Inc.	\$45,728
One Anesthesia, PLLC	\$10,095
Professional Anesthesia Service	\$59,703
<b>Grand Total</b>	<b>\$271,123</b>

## Key Challenges

4C is committed to conducting a comprehensive review of KEHP. However, roadblocks have been encountered, causing delays in the review process.

Specifically:

1. **Absence of a Pass File:** 4C has requested a “pass file”, a document that outlines claims currently under review by Anthem's team. Not receiving the file has hindered our ability to



coordinate our efforts effectively and has ultimately led to duplicative work and inefficiencies in the review process.

Recognizing the need for clearer guidelines and improved coordination, KEHP initiated discussions with Aon to develop comprehensive "Pass File and Claim Coordination Instructions." These instructions will define the scope and timing of 4C's claims review, Anthem's response process, and invoicing procedures.

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## Resolution of Errors

When a recovery opportunity is agreed upon, Anthem has committed to correct any errors in previous payments made by KEHP as a result of 4C's findings. Those corrections may take either of the following forms:

1. If a summary of findings produces claims that were incorrectly adjudicated, it is the responsibility of Anthem to submit said claims to recovery for the appropriate recoupment through the claims system. Any credits yielded by this process will be reflected in future claims detail reports.
2. In the case of errors that resulted in the application of fees and/or other non-claims-related errors, Anthem will coordinate directly with KEHP to devise both a settlement amount and mode of financial disbursement.

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## Savings Realized by KEHP

4C's review of Kentucky's Employee Health Plan has generated several positive outcomes. The recovery of funds directly benefits the plan, its members, and taxpayers. Additionally, these recoveries often lead to reimbursement for affected employees. The ongoing oversight serves as a gentle reminder for carriers to maintain vigilance in their practices, knowing that their actions are being monitored. Importantly, beyond the immediate financial gains, addressing identified issues has a broader positive impact. These improvements benefit not only the plan and its members but also extend to all of the carrier's plans, both self-funded and fully insured, creating a fairer and more efficient healthcare system. Moreover, as these issues are remediated, the plan will experience ongoing cost avoidance, ensuring long-term financial health and stability.

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## Next Steps

4C will continue to process data extracts from Anthem on a regular basis and communicate findings to Anthem promptly for review. Weekly meetings with Anthem will continue to discuss findings associated with KEHP's data. Also, 4C will continue to work with KEHP, Anthem, and



Aon to finalize the Pass File and Claim Review instructions. Updates on these discussions and their impact on findings will be provided in the next reporting period. 4C remains committed to working collaboratively with both KEHP and Anthem to resolve any issues that arise. By addressing issues collaboratively, a more efficient and effective review process can be achieved that benefits all parties involved.

4C is dedicated to working in good faith with both KEHP and Anthem, with DEI serving as the final arbiter of any disputes. 4C looks forward to continued collaboration and the shared goal of serving the Commonwealth of Kentucky.

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## Appendix

### Workflow Definitions

- **Under Review** | Cases where 4C has identified a potential overpayment and submitted supporting documentation to the carrier. The carrier has either not yet responded or has provided inadequate justification for the payment.
- **Closed** | Cases where 4C, the health plan, and the carrier have mutually agreed that no overpayment occurred. This may be due to factors such as carrier policy, provider contracts, client discretion, or logic updates
- **Awaiting Refund** | Cases where 4C and the carrier have agreed that an overpayment occurred, and the refund to the health plan is pending.
- **Recovered** | Cases where an overpayment was confirmed, and the funds have been successfully returned to the health plan.

