

**Department of Health and Human Services**

**OFFICE OF  
INSPECTOR GENERAL**

**REVIEW OF MEDICARE  
CONTRACTOR'S PENSION  
SEGMENTATION, BLUE CROSS AND  
BLUE SHIELD OF OKLAHOMA**



**JULY 2001  
A-07-00-00106**

# *Office of Inspector General*

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Region VII  
601 East 12th Street  
Room 284A  
Kansas City, Missouri 64106

CIN: A-07-00-00106  
July 17, 2001

Ms. Gerri Webb  
Vice President of Government Programs  
Blue Cross and Blue Shield of Oklahoma  
P.O. Box 3404  
1215 South Boulder  
Tulsa, Oklahoma 74101-3404

Dear Ms. Webb:

This report provides you with the results of an Office of Inspector General (OIG), Office of Audit Services (OAS) review titled *Review of Medicare Contractor's Pension Segmentation, Blue Cross and Blue Shield of Oklahoma*. The purpose of our review was to evaluate Blue Cross and Blue Shield of Oklahoma's (Oklahoma) compliance with pension segmentation requirements of its Medicare contract.

Our review showed that Oklahoma's update of the Medicare segment assets from May 1, 1986 to January 1, 1999 understated segment assets by \$45,508. The understatement primarily occurred because Oklahoma did not correctly identify Medicare segment pension assets and costs, and therefore did not equitably assign contributions to the Medicare segment.

We recommend that Oklahoma increase the January 1, 1999 assets of the Medicare segment by \$45,508. Oklahoma accepted our recommendation in principle, but disagreed with certain aspects of our computations. Oklahoma's response is included in its entirety as Appendix B.

## INTRODUCTION

### BACKGROUND

Oklahoma has administered Medicare Part A under cost reimbursement contracts since the start of the Medicare program. The contracts, the Federal Acquisition Regulations (FAR), which superseded the Federal Procurement Regulations (FPR), and the Cost Accounting Standards (CAS) contain reimbursement principles for cost reimbursement contracts.

Since its inception, Medicare has paid a portion of the annual contributions made by contractors to their pension plans. These payments represented allowable pension costs under the FPR and/or the FAR. In 1980, both the FPR and Medicare contracts incorporated CAS 412 and 413.

The CAS 412 regulates the determination and measurement of the components of pension costs. It also regulates the assignment of pension costs to appropriate accounting periods. The CAS 413 regulates the valuation of pension assets, allocation of pension costs to segments of an organization, adjustment of pension costs for actuarial gains and losses, and assignment of gains and losses to cost accounting periods.

The Health Care Financing Administration (HCFA) incorporated segmentation requirements into Medicare contracts starting with Fiscal Year 1988. The contractual language specifies segmentation requirements and also provides for the separate identification of the pension assets for a Medicare segment.

Oklahoma's contracts required (1) computing the Medicare segment's actuarial liability, (2) determining the ratio of Medicare segment's actuarial liability to the total plan actuarial liability (asset fraction), (3) allocating a portion of total pension assets as of 1986 based on the above ratio, (4) updating Medicare pension assets annually, and (5) assessing if Medicare's pension costs should be separately calculated.

The Medicare contracts identify a Medicare segment as:

*Any organizational component of the contractor, such as a division, department, or other similar subdivision, having a significant degree of responsibility and accountability for the Medicare agreement/contract, in which:*

- 1. The majority of the salary dollars is allocated to the Medicare agreement/contract; or*
- 2. Less than a majority of the salary dollars is allocated to the Medicare agreement/contract, and these salary dollars represent 40 percent or more of the total salary dollars allocated to the Medicare agreement/contract.*

The contracts also provide for separate identification of the pension assets of the Medicare segment. The identification involves the allocation of assets to the Medicare segment as of the first pension plan year after December 31, 1985 in which the salary criterion was met. The allocation was to use the ratio of the actuarial liabilities of the Medicare segment to the actuarial liabilities of the total plan, as of the later of the first day of the first plan year after December 31, 1980, or the first day of the first pension plan year following the date such Medicare segment existed.

To ensure contractors developed and maintained the data necessary for segmentation calculations, HCFA distributed a pension cost questionnaire to contractors in 1989. Oklahoma's questionnaire response identified total pension assets of \$8,417,138 and Medicare segment assets of \$502,503 as of May 1, 1986.

Oklahoma participates in the National Retirement Program administered by the Blue Cross/Blue Shield National Employee Benefit Administration (NEBA).

### **OBJECTIVE, SCOPE, AND METHODOLOGY**

We made our examination in accordance with generally accepted government auditing standards. Our objective was to determine Oklahoma's compliance with the pension segmentation requirements of its Medicare contract. Achieving the objective did not require a review of Oklahoma's internal control structure. The audit addressed Oklahoma's update of its Medicare segment pension assets for the review period covering May 1, 1981 to January 1, 1999.

We performed this review in conjunction with our audits of unfunded pension costs (CIN: A-07-01-00120), and pension costs claimed for Medicare reimbursement (CIN: A-07-01-00121). The information obtained and reviewed during those audits was also used in performing this review.

In performing the review, we used information provided by Oklahoma's prior actuarial firms, and NEBA's prior and current consulting actuarial firms. The information included liabilities, normal costs contributions, expenses, and earnings. We reviewed Oklahoma's accounting records, pension plan documents, annual actuarial valuation reports, and the Department of Labor/Internal Revenue Service (DOL/IRS) Form 5500s. Using these documents, we updated the Medicare segment assets to January 1, 1999. The HCFA pension actuarial staff reviewed our methodology and calculations.

We performed site work at Oklahoma's corporate offices in Tulsa, Oklahoma during April 2000. Subsequently, we performed audit work in our Jefferson City, Missouri office.

## FINDINGS AND RECOMMENDATIONS

### MEDICARE ASSET BASE AS OF MAY 1, 1986

We determined that Oklahoma overstated its asset fraction by .29 percent. Oklahoma calculated an asset fraction of 5.97 percent and Medicare segment assets totaling \$502,503 as of May 1, 1986. While Oklahoma correctly identified its organizational components, it incorrectly identified some participants as Medicare segment participants when they were not. Consequently, we calculated Oklahoma's 1981 asset fraction to be 5.68 percent. Also, Oklahoma misstated its May 1, 1986 total company assets to which the asset fraction was applied. Oklahoma identified total company pension assets of \$8,417,138 per its Pension Cost Questionnaire. However, we identified total company pension assets of \$8,470,763 per Oklahoma's 1986 Valuation Report and DOL/IRS Form 5500.

We applied our audited asset fraction to the audited total company pension assets as of May 1, 1986 and computed Oklahoma's Medicare segment's asset base to be \$481,139. Our calculations decreased the Medicare segment assets by \$21,364 (\$481,139 less \$502,503) as of May 1, 1986. The following schedule shows the details of Oklahoma's and our calculations.

#### Initial Allocation Of Medicare Segment Assets Variance

Calculation	1981	1981	1981	1986	1986
	Total	Medicare	Rounded	Total	Medicare
	Actuarial	Actuarial	Asset	Company	Segment
	Liability	Liability	Fraction	Assets	Assets
	(A)	(B)	[C]	(D)	(E)
			(B) / (A)		[C] x (D)
OIG	\$6,551,446	\$372,002	0.0568	\$8,470,763	\$481,139
OK	6,551,446	391,316	0.0597	8,417,138	502,503
Variance	<u>\$0</u>	<u>(\$19,314)</u>	<u>(0.0029)</u>	<u>\$53,625</u>	<u>(\$21,364)</u>

**MEDICARE ASSET BASE AS OF**

**MAY 1, 1986 UPDATED TO JANUARY 1, 1999** {tc \l 4 "North Dakota's update of Medicare segment assets overstated the segment assets by \$1,124,095 as of January 1, 1998. This overstatement occurred because North Dakota: (1) did not implement the recommendations contained in our previous report (-\$180,634), (2) made incorrect transfer adjustments (\$829,908), (3) incorrectly allocated investment earnings and expenses (-\$285,800), (4) incorrectly allocated benefit payments (\$352,935), and (5) made excess contributions (\$407,686) to the Medicare segment. "}

Oklahoma's update of Medicare segment assets understated the segment assets by \$45,508 as of January 1, 1999. This understatement occurred because Oklahoma: (1) made incorrect transfer adjustments out of the Medicare segment (\$248,867 overstated), (2) assigned excess contributions to the Medicare segment (\$394,054 overstated), (3) incorrectly assigned benefit payments (\$29,816 overstated), and (4) incorrectly allocated investment earnings and expenses (\$182,243 understated).

**Participants and Transfers**

In the update of pension assets, Oklahoma misidentified Medicare segment participants. Oklahoma incorrectly included participants in non-Medicare cost centers and incorrectly excluded participants in Medicare segment cost centers. Since the identification of participants was incorrect, transfers (representing the movement in and out of the segment each year) in the updates were also incorrect. In comparison, Oklahoma's and our revised computations were as follows:

Net Transfer Adjustments to the Medicare Segment

<u>YEAR</u>	<u>OIG</u>	<u>OK</u>	<u>VARIANCE</u>
1986	\$70,847	\$0	\$70,847
1987	2,918	0	2,918
1988	(24,032)	0	(24,032)
1989	(13,858)	(653)	(13,205)
1990	(11,691)	(30,058)	18,367
1991	0	(1,063)	1,063
1992	(27,477)	(27,477)	0
1993	(123,556)	(126,043)	2,487
1994	31,378	32,427	(1,049)
1995	(24,143)	(22,723)	(1,420)
1996	(292,862)	(235,425)	(57,437)
1997	0	(7,658)	7,658
1998	(337,211)	(579,881)	242,670
Total	<u>(\$749,687)</u>	<u>(\$998,554)</u>	<u>\$248,867</u>

We corrected the identification of the segment participants and transfer amounts in updating the Medicare segment pension assets. Our corrections to the transfer amount increased the Medicare segment assets by \$248,867.

**Pension Contributions And Prepayment Credits**

Oklahoma's update methodology did not equitably assign pension contributions to the Medicare segment. As a result, Oklahoma overstated Medicare segment assets by \$394,054. The overstatement occurred primarily because Oklahoma assigned contributions to the segment equal to the segment's computed pension costs. Oklahoma assigned a portion of the total company pension contributions to the Medicare segment based on its computation of the segment's separately calculated pension costs. Our changes to the asset base changed the computation of the segment's pension cost as well as the assignment of the contributions.

Additionally, for years 1991 through 1995, 1997, and 1998, Oklahoma's assigned contributions exceeded the required funding of the CAS pension cost. According to CAS 9904.412-50(c)(1), amounts funded in excess of pension costs (or prepayments) shall be carried forward with interest to fund future CAS pension costs. We considered these excess contributions in our computations and made prepayment adjustments to fund the CAS pension costs of the Medicare segment.

Using the pension costs as calculated by the HCFA Office of the Actuary (CIN: A-0-01-00121), we assigned an equitable portion of the total company contributions to the Medicare segment based on the required funding. See Appendix A. Our calculations decreased Medicare segment assets by \$394,054.

**Benefit Payments**

Due to incorrect identification of the Medicare segment participants, Oklahoma's update of segment assets did not properly identify benefit payments to retirees that were segment participants. We identified the actual benefits paid to the retirees from the Medicare segment and assigned these costs to the Medicare segment. This resulted in a net increase of \$29,816 in the Medicare segment assets. A comparison of Oklahoma's and our computed benefit amounts are shown on the following schedule.

Benefit Payments made to Medicare Retirees

<u>YEAR</u>	<u>OK</u>	<u>OIG</u>	<u>VARIANCE</u>
1986	\$0	\$0	\$0
1987	0	0	0
1988	0	0	0
1989	0	0	0
1990	0	0	0
1991	0	0	0
1992	0	0	0
1993	8,554	2,139	6,415
1994	0	0	0
1995	0	0	0
1996	37,232	13,831	23,401
1997	0	0	0
1998	241,852	241,852	0
Total	<u>\$287,638</u>	<u>\$257,822</u>	<u>\$29,816</u>

**Earnings and Expenses**

Oklahoma's update methodology allocated investment earnings and expenses based on a ratio of segment assets to total company assets. Because Oklahoma's asset amounts were incorrect, it understated the segment's earnings and expenses for each year of the update. Except for correcting asset amounts, as previously described, we used Oklahoma's allocation methodologies in our update and increased the Medicare segment assets by \$182,243. }tc \l 5 "North Dakota's update methodology allocated investment earnings and expenses based on a ratio of segment assets to total company assets. Because North Dakota's asset amounts were incorrect, it understated the segment's earnings and expenses for each year of the update. Except for correcting asset amounts, as previously described, we used North Dakota's allocation methodologies in our update and increased the Medicare segment assets by \$285,800. "}

We recommend that Oklahoma increase Medicare segment pension assets by \$45,508. The increase resulted from: (1) revising the asset fraction and initial asset base (\$21,364 decrease), (2) adjusting for participants that moved in and out of the Medicare segment (\$248,867 increase), (3) assigning pension contributions equitably to the Medicare segment (\$394,054 decrease), (4) adjusting benefit payments (\$29,816 increase), and (5) revising earnings and expenses (\$182,243 increase).

**Recommendation:**

We recommend that Oklahoma:

- Increase the Medicare segment pension assets by \$45,508 as of January 1, 1999.

**Auditee Response**

Oklahoma accepted our recommendation in principle, but disagreed with certain aspects of our computations in regards to transfer adjustments. Oklahoma's response is included in its entirety as Appendix B.

**OIG Comments**

After further analysis, we agree with Oklahoma's response in regards to the transfer adjustments and have revised our computations. Those revisions are included in the findings and recommendations set forth in this report.

**INSTRUCTIONS FOR AUDITEE RESPONSE**

Final determinations as to actions to be taken on all matters reported will be made by the HHS action official identified on the following page. We request that you respond to each of the recommendations in this report within 30 days from the date of this report to the HHS action official, presenting any comments or additional information that you believe may have a bearing on final determinations.

In accordance with the principles of the Freedom of Information Act (Public Law 90-23), OIG, OAS reports issued to the Department's grantees and contractors are made available, if requested, to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act which the Department chooses to exercise. (See 45 CFR Part 5).

Sincerely,



James P. Aasmundstad  
Regional Inspector General  
for Audit Services, Region VII

Enclosure

BLUE CROSS AND BLUE SHIELD OF OKLAHOMA  
STATEMENT OF MEDICARE PENSION ASSETS

May 1, 1986 To January 1, 1999

Description		Total Company	Other Segment	Medicare
Assets as of May 1, 1986	<u>1/</u>	\$8,470,763	\$7,989,624	\$481,139
Prepayment Transfers	<u>2/</u>	0	0	0
Contributions	<u>3/</u>	1,023,081	974,049	49,032
Earnings	<u>4/</u>	1,404,078	1,324,326	79,752
Benefit Payments	<u>5/</u>	(2,771,396)	(2,771,396)	0
Expenses	<u>6/</u>	(63,424)	(59,822)	(3,602)
Participant Transfers	<u>7/</u>	0	(70,847)	70,847
Assets as of May 1, 1987		\$8,063,102	\$7,385,934	\$677,168
Prepayment Transfers		0	(12)	12
Contributions		797,586	780,540	17,046
Earnings		872,458	799,185	73,273
Benefit Payments		(202,699)	(202,699)	0
Expenses		(56,861)	(52,086)	(4,775)
Participant Transfers			(2,918)	2,918
Assets as of May 1, 1988		\$9,473,586	\$8,707,944	\$765,642
Prepayment Transfers		0	0	0
Contributions		290,583	282,670	7,913
Earnings		924,582	849,859	74,723
Benefit Payments		(372,328)	(372,328)	0
Expenses		(33,852)	(31,116)	(2,736)
Participant Transfers			24,032	(24,032)
Assets as of May 1, 1989		\$10,282,571	\$9,461,061	\$821,510

BLUE CROSS AND BLUE SHIELD OF OKLAHOMA  
STATEMENT OF MEDICARE PENSION ASSETS

May 1, 1986 To January 1, 1999

Description	Total Company	Other Segment	Medicare
Prepayment Transfers	0	0	0
Contributions	0	0	0
Earnings	437,075	402,156	34,919
Benefit Payments	(291,384)	(291,384)	0
Expenses	(26,985)	(24,829)	(2,156)
Participant Transfers		13,858	(13,858)
Assets as of January 1, 1990	\$10,401,277	\$9,560,862	\$840,415
Prepayment Transfers	0	0	0
Contributions	702,959	686,078	16,881
Earnings	(263,506)	(242,215)	(21,291)
Benefit Payments	(90,956)	(90,956)	0
Expenses	(67,384)	(61,939)	(5,445)
Participant Transfers		11,691	(11,691)
Assets as of January 1, 1991	\$10,682,390	\$9,863,521	\$818,869
Prepayment Transfers	0	(687)	687
Contributions	1,218,295	1,194,026	24,269
Earnings	2,409,447	2,224,594	184,853
Benefit Payments	(131,348)	(131,348)	0
Expenses	(66,084)	(61,014)	(5,070)
Participant Transfers	0	0	0
Assets as of January 1, 1992	\$14,112,700	\$13,089,092	\$1,023,608

BLUE CROSS AND BLUE SHIELD OF OKLAHOMA  
STATEMENT OF MEDICARE PENSION ASSETS

May 1, 1986 To January 1, 1999

Description	Total Company	Other Segment	Medicare
Prepayment Transfers	0	(11,244)	11,244
Contributions	1,214,651	1,195,482	19,169
Earnings	599,803	555,821	43,982
Benefit Payments	(213,333)	(213,333)	0
Expenses	(72,816)	(67,477)	(5,339)
Participant Transfers		27,477	(27,477)
Assets as of January 1, 1993	\$15,641,005	\$14,575,818	\$1,065,187
Prepayment Transfers	0	(28,295)	28,295
Contributions	1,824,732	1,791,563	33,169
Earnings	1,635,576	1,521,231	114,345
Benefit Payments	(278,923)	(276,784)	(2,139)
Expenses	(114,010)	(106,039)	(7,971)
Participant Transfers		123,556	(123,556)
Assets as of January 1, 1994	\$18,708,380	\$17,601,050	\$1,107,330
Prepayment Transfers	0	(52,956)	52,956
Contributions	2,331,253	2,294,118	37,135
Earnings	122,073	114,502	7,571
Benefit Payments	(395,649)	(395,649)	0
Expenses	(96,207)	(90,240)	(5,967)
Participant Transfers		(31,378)	31,378
Assets as of January 1, 1995	\$20,669,850	\$19,439,447	\$1,230,403

BLUE CROSS AND BLUE SHIELD OF OKLAHOMA  
STATEMENT OF MEDICARE PENSION ASSETS

May 1, 1986 To January 1, 1999

Description	Total Company	Other Segment	Medicare
Prepayment Transfers	0	(75,641)	75,641
Contributions	1,874,737	1,874,737	0
Earnings	5,599,198	5,245,407	353,791
Benefit Payments	(526,060)	(526,060)	0
Expenses	(99,943)	(93,628)	(6,315)
Participant Transfers		24,143	(24,143)
Assets as of January 1, 1996	\$27,517,782	\$25,888,405	\$1,629,377
Prepayment Transfers	0	0	0
Contributions	1,729,005	1,729,005	0
Earnings	4,485,746	4,223,707	262,039
Benefit Payments	(672,303)	(658,472)	(13,831)
Expenses	(206,301)	(194,250)	(12,051)
Participant Transfers		292,862	(292,862)
Assets as of January 1, 1997	\$32,853,929	\$31,281,257	\$1,572,672
Prepayment Transfers	0	(52,828)	52,828
Contributions	1,470,000	1,470,000	0
Earnings	6,914,740	6,572,684	342,056
Benefit Payments	(1,201,724)	(1,201,724)	0
Expenses	(188,551)	(179,224)	(9,327)
Participant Transfers		0	0
Assets as of January 1, 1998	\$39,848,394	\$37,890,165	\$1,958,229

BLUE CROSS AND BLUE SHIELD OF OKLAHOMA  
STATEMENT OF MEDICARE PENSION ASSETS

May 1, 1986 To January 1, 1999

Description	Total Company	Other Segment	Medicare
Prepayment Transfers	0	(137,425)	137,425
Contributions	1,978,322	1,978,322	0
Earnings	6,419,111	6,100,046	319,065
Benefit Payments	(2,106,790)	(1,864,938)	(241,852)
Expenses	(236,852)	(225,079)	(11,773)
Participant Transfers	0	337,211	(337,211)
<b>Assets as of January 1, 1999</b>	<b>\$45,902,185</b>	<b>\$44,078,302</b>	<b>\$1,823,883</b>
<b>Per Oklahoma</b>	<u>8/</u> <b>\$45,902,185</b>	<b>\$44,123,810</b>	<b>\$1,778,375</b>
<b>Asset Variance</b>	<u>9/</u> <b>\$0</b>	<b>(\$45,508)</b>	<b>\$45,508</b>

**FOOTNOTES**

- 1/ We reviewed Oklahoma's asset fraction calculation and determined that they had incorrectly computed the 1981 asset fraction (5.97%). We computed an audited asset fraction of 5.68%. See the Findings and Recommendations section for details on the initial allocation of Medicare segment assets.
- 2/ A prepayment credit is created when the contributions made to the pension trust fund exceed the CAS pension cost. The prepayment remains unassigned and accumulates interest in the pension trust fund until needed to fund future CAS pension costs. We assigned the prepayment in proportion to the CAS pension costs.
- 3/ We obtained total contribution amounts from DOL/IRS Form 5500 reports. Oklahoma allocated contributions based on separately computed CAS pension costs. We allocated contributions based on the Medicare segment's required funding for each year. Oklahoma did not make contributions to the pension plan trust fund for the years 1995 through 1998 because the plan was overfunded.
- 4/ Oklahoma provided earnings amounts and we verified them to DOL/IRS Form 5500 reports. We allocated earnings to the Medicare segment based on the ratio of beginning-of-year (BOY) market values of Medicare assets to the BOY market values of total company assets. Oklahoma used this methodology as well.

BLUE CROSS AND BLUE SHIELD OF OKLAHOMA  
STATEMENT OF MEDICARE PENSION ASSETS

May 1, 1986 To January 1, 1999

- 5/ Oklahoma provided benefit payment amounts and we verified them to DOL/IRS Form 5500 reports. We used actual benefit payments for Medicare segment retirees.
- 6/ Oklahoma provided administrative expense amounts and we verified them to DOL/IRS Form 5500 reports. We allocated administrative expenses to the Medicare segment on the ratio of BOY market values of Medicare assets to the BOY market values of total assets. Oklahoma used this methodology as well.
- 7/ We identified participant transfers between segments by comparing annual participant valuation listings provided by Oklahoma. The listings contained the actuarial liability of each participant. Our transfer adjustment considered each participant's actuarial liability and the funding level of the segment from which the participant transferred. We calculated the funding level as the assets divided by the liabilities. If the funding level ratio was greater than one, we transferred assets equal to the participant's liability. Oklahoma used this methodology as well.
- 8/ We obtained the total assets as of January 1, 1999 from Oklahoma's update of assets provided by its actuary.
- 9/ The asset variance represents the difference between the OIG calculation of assets as of January 1, 1999 and the assets calculated by Oklahoma's actuary.



Medicare  
Part A  
(918) 560-3367

**GAROLDINE (GERRI) WEBB**  
Vice President and Director  
Government Programs  
Telephone: (918) 560-2090  
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June 1, 2001

Mr. Greg Tambke  
HHS/OIG/OAS  
2425 Hyde Park Road  
Jefferson City, Missouri 65109

Dear Greg:

I am writing in regards to the following Office of Inspector General (OIG) Audit Reports:

- Review of Medicare Contractor Pension Segmentation  
Blue Cross Blue Shield of Oklahoma # A-07-00-00106
- Review of Unfunded Pension Costs of Blue Cross Blue Shield of Oklahoma  
# A 07-01-00120
- Review of Pension Costs Claimed for Medicare Reimbursement by  
Blue Cross Blue Shield of Oklahoma # A 07-01-00121

Upon reviewing the information in the Office of Inspector General (OIG) audit report entitled "Review of Medicare Contractor's Pension Segmentation, Blue Cross and Blue Shield of Oklahoma" with our actuaries, we have the following response to the findings:

1. Regarding the net transfer adjustments during calendar years 1997 and 1998 (reflected in valuations as of 1/1/1998 and 1/1/1999, respectively), we did base the liability amounts on the ABCM. We do not agree with the claim that these amounts "used an incorrect cost method to value transfers" (page 5) for 1997 and 1998. However, in working through the transfers with HCFA's actuary, Eric Shipley, we discovered that the timing of the recognition of some of the transfers was off by one year (some transfers occurred during 1996 that were reflected in our valuations as having transferred during 1997). We have provided Eric with revised transfer amounts to reflect the proper year of transfer for these individuals.
2. Under net transfer adjustments to the Medicare Segment on page 6, the 1998 value for OK should be (338,029). This is reflected in our Medicare Segment asset development in the CAS Pension Cost section of our 1999 actuarial report. The (579,881) amount that is reflected appears to be the sum of the net transfers (338,029) and the benefit payments



**BlueCross BlueShield  
of Oklahoma**

1215 South Boulder  
P.O. Box 3404  
Tulsa OK 74101-3404

*A HCFA Contracted  
Intermediary*

Mr. Greg Tambke  
June 1, 2001  
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(241,852). However, since the (241,852) amount is also reflected on page 7 under Benefit Payments to Retirees, we feel that this amount should not be double counted. Otherwise, we have no objections to any other items within this report.

We have also reviewed the OIG's audit reports entitled "Review of Unfunded Pension Costs of Blue Cross and Blue Shield of Oklahoma" and "Review of Pension Costs Claimed for Medicare Reimbursement by Blue Cross and Blue Shield of Oklahoma". Although we have no comments on the process and methodologies within these reports, we would like to note that the results within these reports should change based on any adjustments that may be made to the results reflected in the report entitled "Review of Medicare Contractor's Pension Segmentation, Blue Cross and Blue Shield of Oklahoma".

Please call me at (918) 560-2090 or Jay Pinkerton (Chicago Consulting Actuaries; (312) 454-8167) if you have any questions or need any additional information.

Sincerely,

/s/

Garoldine Y. Webb

cc: Mr. David Manuszak, Blue Cross Blue Shield Association  
Ms. Carol Navin, Blue Cross Blue Shield Association  
Mr. John Thomas, Group Health Service of Oklahoma, Inc.  
Ms. Kathy Durfee, Group Health Service of Oklahoma, Inc.

**Appendix C**

**AUDIT REPORT CIN: A-07-01-00106  
BLUE CROSS AND BLUE SHIELD OF OKLAHOMA**

**INDIVIDUALS HAVING ACCESS TO SOURCE  
INFORMATION REGARDING THIS AUDIT REPORT**

Greg Tambke, Audit Manager  
Scott Englund, Senior Auditor  
Dave Imhoff, Auditor  
Ashok Mullick, Auditor

**Class of Persons Having Access To This Report**

Office Administrative Personnel