

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**ANTHEM HEALTH PLANS OF
MAINE, INC., OVERSTATED ITS
MEDICARE SEGMENT PENSION ASSETS
AS OF JANUARY 1, 2006**

*Inquiries about this report may be addressed to the Office of Public Affairs at
Public.Affairs@oig.hhs.gov.*



**Patrick J. Cogley
Regional Inspector General**

**June 2013
A-07-13-00404**

Office of Inspector General

<https://oig.hhs.gov/>

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

Office of Audit Services

The Office of Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

Office of Evaluation and Inspections

The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. These evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness of departmental programs. To promote impact, OEI reports also present practical recommendations for improving program operations.

Office of Investigations

The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of fraud and misconduct related to HHS programs, operations, and beneficiaries. With investigators working in all 50 States and the District of Columbia, OI utilizes its resources by actively coordinating with the Department of Justice and other Federal, State, and local law enforcement authorities. The investigative efforts of OI often lead to criminal convictions, administrative sanctions, and/or civil monetary penalties.

Office of Counsel to the Inspector General

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support for OIG's internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.

Notices

THIS REPORT IS AVAILABLE TO THE PUBLIC

at <https://oig.hhs.gov/>

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site.

OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

EXECUTIVE SUMMARY

Anthem Health Plans of Maine, Inc., overstated its Medicare segment pension assets by \$483,815 as of January 1, 2006.

WHY WE DID THIS REVIEW

Medicare contractors are required to separately account for the Medicare segment pension plan assets based on the requirements of their Medicare contract and Cost Accounting Standards 412 and 413. The Centers for Medicare & Medicaid Services (CMS) incorporated this language into the Medicare contracts beginning with fiscal year 1988. Previous Office of Inspector General reviews found that Medicare contractors did not always correctly identify and update the segmented pension assets.

The objectives of this review were to determine whether Anthem Health Plans of Maine, Inc. (Anthem Maine), complied with Federal requirements and the Medicare contracts' pension segmentation requirements when (1) implementing the prior audit recommendation to decrease the Medicare segment pension assets as of January 1, 2003, and (2) updating the Medicare segment's pension assets from January 1, 2003, to January 1, 2006.

BACKGROUND

Anthem Maine, a subsidiary of WellPoint, Inc. (WellPoint), administers Medicare Part A and Regional Home Health Intermediary operations under cost reimbursement contracts with CMS.

On June 5, 2000, Anthem Insurance Companies, Inc. (Anthem), acquired Associated Hospital Service of Maine doing business as Blue Cross Blue Shield of Maine. Effective December 31, 2000, Associated Hospital Service of Maine Retirement Plan merged into the Anthem Cash Balance Pension Plan. On November 30, 2004, Anthem merged with WellPoint Health Networks, Inc., and changed its name to WellPoint. On January 1, 2006, the Anthem Cash Balance Pension Plan was renamed the WellPoint Cash Balance Pension Plan. Also, effective November 17, 2006, WellPoint consolidated its Government contracting segments into one segment, AdminaStar Federal, Inc. (AdminaStar), which included the Anthem Maine Medicare segment. In addition, as of that same date, AdminaStar changed its corporate name to National Government Services, Inc. (NGS). Thus, although we are addressing this report to NGS, we will associate the term Anthem Maine with our findings and recommendation regarding the update of the Anthem Maine Medicare segment's pension assets from January 1, 2003, through January 1, 2006.

We performed a prior pension segmentation audit at Anthem (A-07-04-00181, issued October 18, 2005), which brought the Anthem Maine Medicare segment pension assets to January 1, 2003. We recommended that Anthem decrease its Anthem Maine Medicare segment pension assets by \$192,694 and, as a result, recognize \$4,794,103 as the Anthem Maine Medicare segment pension assets as of January 1, 2003.

WHAT WE FOUND

Anthem Maine implemented the prior audit recommendation to recognize \$4,794,103 as the Anthem Maine Medicare segment pension assets as of January 1, 2003. Regarding our second objective, Anthem Maine identified Medicare segment pension assets of \$4,472,179 as of January 1, 2006; however, we determined that the Medicare segment pension assets were \$3,988,364. Therefore, Anthem Maine overstated the Medicare segment pension assets by \$483,815. Anthem Maine overstated the Medicare segment pension assets because it did not have controls to ensure that it calculated those assets in accordance with Federal requirements and the Medicare contracts' pension segmentation language when updating the Medicare segment pension assets from January 1, 2003, to January 1, 2006.

WHAT WE RECOMMEND

We recommend that Anthem Maine decrease the Medicare segment pension assets as of January 1, 2006, by \$483,815, and recognize \$3,988,364 as the Medicare segment pension assets.

AUDITEE COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, NGS concurred with our findings and recommendation. Anthem Maine's Medicare contract was transitioned to NGS effective November 17, 2006; therefore, NGS commented on our draft report.

NGS also made technical comments to enhance the accuracy and clarity of this report; we accepted these suggestions and have incorporated them into this final report.

TABLE OF CONTENTS

INTRODUCTION	1
Why We Did This Review	1
Objectives	1
Background	1
How We Conducted This Review	2
FINDINGS	2
Prior Audit Recommendation	3
Update of Medicare Segment Pension Assets	3
Contributions and Transferred Prepayment Credits Understated	3
Benefit Payments Understated	3
Net Transfers Understated	3
Earnings, Net Expenses Understated	4
RECOMMENDATION	4
AUDITEE COMMENTS	4
OFFICE OF INSPECTOR GENERAL RESPONSE	4
APPENDIXES	
A: Audit Scope and Methodology	5
B: Statement of Market Value of Pension Assets for the WellPoint Cash Balance Pension Plan for the Period January 1, 2003, to January 1, 2006	7
C: Federal Requirements Related to Pension Segmentation	9
D: Auditee Comments	10

INTRODUCTION

WHY WE DID THIS REVIEW

Medicare contractors are required to separately account for the Medicare segment pension plan assets based on the requirements of their Medicare contract and Cost Accounting Standards (CAS) 412 and 413. The Centers for Medicare & Medicaid Services (CMS) incorporated this language into the Medicare contracts beginning with fiscal year 1988. Previous Office of Inspector General reviews found that Medicare contractors did not always correctly identify and update the segmented pension assets.

OBJECTIVES

The objectives of this review were to determine whether Anthem Health Plans of Maine, Inc. (Anthem Maine), complied with Federal requirements and the Medicare contracts' pension segmentation requirements when (1) implementing the prior audit recommendation to decrease the Medicare segment pension assets as of January 1, 2003, and (2) updating the Medicare segment's pension assets from January 1, 2003, to January 1, 2006.

BACKGROUND

Anthem Maine, a subsidiary of WellPoint, Inc. (WellPoint), administers Medicare Part A and Regional Home Health Intermediary operations under cost reimbursement contracts with CMS.

On June 5, 2000, Anthem Insurance Companies, Inc. (Anthem), acquired Associated Hospital Service of Maine doing business as Blue Cross Blue Shield of Maine. Effective December 31, 2000, Associated Hospital Service of Maine Retirement Plan merged into the Anthem Cash Balance Pension Plan. On November 30, 2004, Anthem merged with WellPoint Health Networks, Inc., and changed its name to WellPoint. On January 1, 2006, the Anthem Cash Balance Pension Plan was renamed the WellPoint Cash Balance Pension Plan. Also, effective November 17, 2006, WellPoint consolidated its Government contracting segments into one segment, AdminaStar Federal, Inc. (AdminaStar), which included the Anthem Maine Medicare segment. In addition, as of that same date, AdminaStar changed its corporate name to National Government Services, Inc. (NGS). Thus, although we are addressing this report to NGS, we will associate the term Anthem Maine with our findings and recommendation regarding the update of the Anthem Maine Medicare segment's pension assets from January 1, 2003, through January 1, 2006.

We performed a prior pension segmentation audit at Anthem (A-07-04-00181, issued October 18, 2005), which brought the Anthem Maine Medicare segment pension assets to January 1, 2003. We recommended that Anthem decrease its Anthem Maine Medicare segment pension assets by \$192,694 and, as a result, recognize \$4,794,103 as the Anthem Maine Medicare segment pension assets as of January 1, 2003.

HOW WE CONDUCTED THIS REVIEW

We reviewed Anthem Maine's implementation of the prior audit recommendation; identification of its Medicare segment; and update of the Medicare segment assets from January 1, 2003, to January 1, 2006.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix A contains details of our audit scope and methodology.

FINDINGS

Anthem Maine implemented the prior audit recommendation to recognize \$4,794,103 as the Anthem Maine Medicare segment pension assets as of January 1, 2003. Regarding our second objective, Anthem Maine identified Medicare segment pension assets of \$4,472,179 as of January 1, 2006; however, we determined that the Medicare segment pension assets were \$3,988,364. Therefore, Anthem Maine overstated the Medicare segment pension assets by \$483,815. Anthem Maine overstated the Medicare segment pension assets because it did not have controls to ensure that it calculated those assets in accordance with Federal requirements and the Medicare contracts' pension segmentation language when updating the Medicare segment pension assets from January 1, 2003, to January 1, 2006.

Appendix B presents details of the WellPoint Cash Balance Pension Plan assets from January 1, 2003, to January 1, 2006, as determined during our audit. Table 1 below summarizes the audit adjustments required to update the Medicare segment pension assets in accordance with Federal requirements.

Table 1: Summary of Audit Adjustments			
	Per Audit	Per Anthem Maine	Difference
Prior Audit Recommendation	\$4,794,103	\$4,794,103	\$0
Update of Medicare Segment Assets			
Contributions and Prepayment Credits	1,915,953	1,878,747	37,206
Benefit Payments	(2,947,785)	(2,335,137)	(612,648)
Net Transfers	(1,893,986)	(1,882,888)	(11,098)
Earnings, Net Expenses	2,120,079	2,017,354	102,725
Overstatement of Medicare Segment Assets			\$483,815

PRIOR AUDIT RECOMMENDATION

Anthem Maine implemented the prior audit recommendation (A-07-04-00181) which recommended that Anthem decrease the Anthem Maine Medicare segment pension assets by \$192,694 and thus recognize \$4,794,103 of Anthem Maine Medicare segment pension assets as of January 1, 2003.

UPDATE OF MEDICARE SEGMENT PENSION ASSETS

The Medicare contract requires that Medicare contractors update the Medicare segment pension assets yearly in accordance with the CAS. The CAS requires that the asset base be adjusted by contributions, permitted unfunded accruals, income, benefit payments, and expenses.

For details on the Federal requirements and the Medicare contract, see Appendix C.

The following are our findings regarding the update of the Medicare segment pension assets from January 1, 2003, to January 1, 2006.

Contributions and Transferred Prepayment Credits Understated

The audited contributions and transferred prepayment credits are based on the assignable pension costs. In compliance with the CAS, we applied prepayment credits first to current-year assignable pension costs (because the credits were available at the beginning of the year) and then updated any remaining credits with interest to the next measurement (valuation) date. We then allocated contributions to assigned pension costs, as needed, as of the date of deposit. For details on these Federal requirements, see Appendix C.

Anthem Maine understated contributions and transferred prepayment credits by \$37,206 for the Medicare segment. The understatement occurred primarily because of differences in the asset base used to compute the assignable pension costs, upon which the contributions and prepayment credits were based. As a result, Anthem Maine understated the Medicare segment pension assets by \$37,206.

Benefit Payments Understated

Anthem Maine understated benefit payments for the Medicare segment by \$612,648. The understatement occurred because Anthem Maine incorrectly recorded the amount of a benefit payment in 2004. This understatement of benefit payments resulted in an overstatement of the Medicare segment pension assets by \$612,648.

Net Transfers Understated

Anthem Maine understated net transfers out of the Medicare segment by \$11,098. The understatement occurred primarily because Anthem Maine incorrectly identified participants who transferred out of the Medicare segment. This understatement of the net transfer adjustment resulted in an overstatement of the Medicare segment pension assets by \$11,098.

Earnings, Net Expenses Understated

Anthem Maine understated investment earnings, less administrative expenses, by \$102,725 for the Medicare segment, primarily because its 2003 weighted average value (WAV) calculation incorrectly included the assets related to the Anthem Health Plans of Virginia, Inc., Retirement Program (Anthem Southeast) merger that occurred on December 31, 2003. In addition, Anthem Maine used incorrect contributions and transferred prepayment credits, benefit payments, and net transfers (discussed above), to develop the Medicare segment pension asset base. In our audited update, we allocated earnings, net expenses based on the applicable CAS requirements. For details on these Federal requirements, see Appendix C.

RECOMMENDATION

We recommend that Anthem Maine decrease the Medicare segment pension assets as of January 1, 2006, by \$483,815, and recognize \$3,988,364 as the Medicare segment pension assets.

AUDITEE COMMENTS

In written comments on our draft report, NGS concurred with our findings and recommendation. Anthem Maine's Medicare contract was transitioned to NGS effective November 17, 2006; therefore, NGS commented on our draft report.

NGS also made technical comments to enhance the accuracy and clarity of this report. These comments clarified information pertaining to entity and pension plan names as well as the effective date of the Government contract segments' consolidation.

NGS's comments are included in their entirety as Appendix D.

OFFICE OF INSPECTOR GENERAL RESPONSE

After reviewing NGS's comments, we accepted the technical comments and have incorporated them into this final report.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

Scope

We reviewed Anthem Maine's implementation of the prior audit recommendation; identification of its Medicare segment; and update of the Medicare segment assets from January 1, 2003, to January 1, 2006.

Achieving our objectives did not require us to review Anthem Maine's overall internal control structure. We reviewed controls relating to the identification of the Medicare segment and the update of the Medicare segment's assets to ensure adherence to the Medicare contracts, CAS 412, and CAS 413.

We completed our audit work in November and December 2012.

Methodology

To accomplish our objectives, we took the following steps:

- We reviewed the portions of the Federal Acquisition Regulation, CAS, and the Medicare contracts applicable to this audit.
- We reviewed the annual actuarial valuation reports prepared by WellPoint's actuarial consulting firms, which included the pension plan's assets, liabilities, normal costs, contributions, benefit payments, investment earnings, and administrative expenses. We used this information to calculate the Medicare segment assets.
- We obtained and reviewed the pension plan documents and Department of Labor/Internal Revenue Service Forms 5500 used in calculating the Medicare segment assets.
- We interviewed WellPoint staff responsible for identifying the Medicare segment to determine whether the segment was properly identified in accordance with the Medicare contracts.
- We reviewed WellPoint's accounting records to verify the segment identification and benefit payments made to the Medicare segment.
- We reviewed the prior segmentation audit performed at Anthem (A-07-04-00181) to determine the beginning market value of assets.
- We provided the CMS Office of the Actuary with the actuarial information necessary for it to calculate the Anthem Maine Medicare segment pension assets from January 1, 2003, to January 1, 2006.
- We reviewed the CMS actuaries' methodology and calculations.

We performed this review in conjunction with the following audits and used the information obtained during these audits during this review:

- *Anthem Health Plans of Maine, Inc., Did Not Claim Some Allowable Medicare Pension Costs for Fiscal Years 2003 Through 2005 (A-07-13-00405),*
- *Anthem Health Plans of New Hampshire, Inc., Understated Its Medicare Segment Pension Assets as of January 1, 2006 (A-07-13-00406),*
- *Anthem Health Plans of New Hampshire, Inc., Did Not Claim Some Allowable Medicare Pension Costs for Fiscal Years 2003 Through 2005 (A-07-13-00407),*
- *National Government Services, Inc., Understated Its Medicare Segment Pension Assets as of January 1, 2010 (A-07-13-00408), and*
- *National Government Services, Inc., Did Not Claim Some Allowable Medicare Pension Costs for Fiscal Years 2003 Through 2006 (A-07-13-00409).*

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

**APPENDIX B: STATEMENT OF MARKET VALUE OF PENSION ASSETS
FOR THE WELLPOINT CASH BALANCE PENSION PLAN
FOR THE PERIOD JANUARY 1, 2003, TO JANUARY 1, 2006**

Description		Total Company	“Other” Segments	Anthem New Hampshire Segment	NGS Segment	Anthem Maine Segment
Assets January 1, 2003	<u>1/</u>	\$615,266,988	\$587,811,989	\$1,066,467	\$21,594,429	\$4,794,103
Prepayment Credits	<u>2/</u>	0	(4,564,241)	243,725	3,704,635	615,881
Contributions	<u>3/</u>	65,000,000	65,000,000	0	0	0
Other Transactions	<u>4/</u>	187,077,099	187,077,099	0	0	0
Earnings, Net Expenses	<u>5/</u>	130,802,578	124,178,263	223,306	5,256,726	1,144,283
Benefit Payments	<u>6/</u>	(61,198,247)	(58,130,416)	(565,058)	(2,214,866)	(287,907)
Transfers	<u>7/</u>	0	1,757,989	32	(1,568,631)	(189,390)
Assets January 1, 2004		\$936,948,418	\$903,130,683	\$968,472	\$26,772,293	\$6,076,970
Prepayment Credits		0	(4,466,299)	236,302	3,600,628	629,369
Contributions		10,000,000	10,000,000	0	0	0
Other Transactions		0	0	0	0	0
Earnings, Net Expenses		96,892,114	93,048,973	121,928	3,074,529	646,684
Benefit Payments		(71,819,385)	(66,927,468)	(135,543)	(3,404,623)	(1,351,751)
Transfers		0	2,384,375	(186,544)	(954,014)	(1,243,817)
Assets January 1, 2005		\$972,021,147	\$937,170,264	\$1,004,615	\$29,088,813	\$4,757,455
Prepayment Credits		0	(4,154,400)	206,990	3,276,707	670,703
Contributions		46,500,000	46,500,000	0	0	0
Other Transactions		0	0	0	0	0
Earnings, Net Expenses		64,686,123	62,144,538	50,476	2,161,997	329,112
Benefit Payments		(90,620,644)	(86,346,471)	(958,801)	(2,007,245)	(1,308,127)
Transfers		0	1,434,727	(2,199)	(971,749)	(460,779)
Assets January 1, 2006		\$992,586,626	\$956,748,658	\$301,081	\$31,548,523	\$3,988,364
Per Anthem Maine	<u>8/</u>	992,586,626	957,532,240	276,718	30,305,489	4,472,179
Asset Variance	<u>9/</u>	0	783,582	(24,363)	(1,243,034)	483,815

ENDNOTES

1/ We determined the Anthem Maine and NGS (formerly AdminaStar) Medicare segment pension assets as of January 1, 2003, based on our prior segmentation audit of Anthem (A-07-04-00181). We determined the Anthem New Hampshire Medicare segment pension assets as of January 1, 2003, based on our prior segmentation audit of New Hampshire-Vermont Health Service (A-07-08-00269). The amounts shown for the “Other” segment represent the difference between the Total Company and the Medicare segment. All pension assets are shown at market value.

2/ Prepayment credits represent funds available to satisfy future funding requirements and are applied to future funding requirements before current year contributions in order to avoid incurring unallowable interest. Prepayment credits are transferred to the Medicare segment as needed to cover funding requirements.

3/ We obtained Total Company contribution amounts from the actuarial valuation reports and Department of Labor/Internal Revenue Service Forms 5500. We allocated Total Company contributions to the Medicare segment based on the ratio of the Medicare segment funding target divided by the Total Company funding target. Contributions in excess of the funding targets were treated as prepayment credits and accounted for in the “Other” segment until needed to fund pension costs in the future.

4/ The “Other” transactions represent the merger of the Anthem Health Plans of Virginia, Inc., Retirement Program (Anthem Southeast) into the WellPoint Cash Balance Pension Plan on December 31, 2003. We obtained the Anthem Southeast Plan pension asset amount as of December 31, 2003, from WellPoint’s 2004 actuarial valuation report. These “Other” transactions did not impact the Medicare segment pension assets.

5/ We obtained net investment earnings from the actuarial valuation reports. We allocated net investment earnings based on the ratio of the segments’ WAV of assets to Total Company WAV of assets as required by the CAS.

6/ We based the Medicare segment’s benefit payments on actual payments to Medicare retirees. We obtained the benefit payments from documents provided by WellPoint.

7/ We identified participant transfers between segments by comparing valuation data files provided by WellPoint. Asset transfers were equal to the actuarial liability determined under the accrued benefit cost method in accordance with the CAS.

8/ We obtained total asset amounts from documents prepared by WellPoint's actuarial consulting firm.

9/ The asset variance represents the difference between our calculation of Medicare segment pension assets and WellPoint's calculation of the Medicare segment pension assets.

APPENDIX C: FEDERAL REQUIREMENTS RELATED TO PENSION SEGMENTATION

Federal Regulations

Federal regulations (CAS 412.50(a)(4)) require that contributions in excess of the pension cost assigned to the period be recognized as prepayment credits and accumulated at the assumed valuation interest rate until applied to future period costs. Prepayment credits that have not been applied to fund pension costs are excluded from the value of assets used to compute pension costs.

Federal regulations (CAS 413.50(c)(7)) require that the asset base be adjusted by contributions, permitted unfunded accruals, income, benefit payments, and expenses. For plan years beginning after March 30, 1995, the CAS requires investment income and expenses to be allocated among segments based on the ratio of the segment's WAV of assets to Total Company WAV of assets.

Federal regulations (CAS 413.50(c)(8)) require an adjustment to be made for transfers (participants who enter or leave the segment) if the transfers materially affect the segment's ratio of pension plan assets to actuarial accrued liabilities.

Medicare Contracts

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 contract/agreement, 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 are charged to the Medicare agreement/contract, and these salary dollars represent 40% or more of the total salary dollars charged to the Medicare agreement/contract.

Furthermore, the Medicare contracts state that "... the pension assets allocated to each Medicare Segment shall be adjusted in accordance with CAS 413.50(c)(7)."

APPENDIX D: AUDITEE COMMENTS



8115 Knue Road
Indianapolis, IN 46250

www.wellpoint.com/ngs

MEDICARE

April 29, 2013

Mr. Patrick J. Cogley
Regional Inspector General for Audit Services
Office of Audit Services, Region VII
601 East 12th Street, Room 0429
Kansas City, Missouri 64106

Reference: Report Number A-07-13-00404

Dear Mr. Cogley:

We have received the draft audit report from the Inspector General entitled "Anthem Health Plans of Maine, Inc. Overstated its Medicare Segment Pension Assets as of January 1, 2006" and thank you for the opportunity to respond.

National Government Services, Inc. (NGS) concurs with the finding and recommendation outlined in the report and will make the appropriate adjustments to Medicare segment pension assets as of January 1, 2006.

In our review of the report, the following proposed revisions would enhance the accuracy and clarity of the report:

- In the "Executive Summary" section (page i) within the "Background" caption and in the "Introduction" section (page 1) within the "Background" caption, please replace the second paragraph with the following which accurately describes the organization:

On June 5, 2000, Anthem Insurance Companies, Inc. (Anthem) acquired Associated Hospital Service of Maine d/b/a Blue Cross Blue Shield of Maine. Effective December 31, 2000, Associated Hospital Service of Maine Retirement Plan merged into the Anthem Cash Balance Pension Plan. On November 30, 2004, Anthem merged with WellPoint Health Networks, Inc. and changed its name to WellPoint, Inc. On January 1, 2006, the Anthem Cash Balance Pension Plan was renamed the WellPoint Cash Balance Pension Plan. Also effective November 17, 2006, WellPoint consolidated its Government contracting segments into one segment, AdminaStar Federal, Inc. (AdminaStar), which included the Anthem Maine Medicare segment. In addition as of that





8115 Knue Road
Indianapolis, IN 46250
www.wellpoint.com/ngs

MEDICARE

April 29, 2013
Page 2

same date AdminaStar changed its corporate name to National Government Services, Inc. (NGS). Thus, although we are addressing this report to NGS, we will associate the term Anthem Maine with our findings and recommendation regarding the update of the Anthem Maine Medicare segment’s pension assets from January 1, 2003, through January 1, 2006.

- On page iii of the Table of Contents, item B under Appendixes should read:

Statement of Market Value of Pension Assets for the WellPoint Cash Balance Pension Plan for the Period January 1, 2003, to January 1, 2006
- On page 2, second paragraph under “Findings”, in the first line capitalize “Pension Plan”.
- On page 4, third line of the paragraph underneath the heading “Earnings, Net Expenses Understated”, delete the words “Anthem Southeast and insert “Anthem Health Plans of Virginia, Inc. Retirement Program (Anthem Southeast).
- On page 7, the second row of the page heading should state “For the WellPoint Cash Balance Pension Plan” vs. “WellPoint Inc. Cash Balance Pension Plan”.

We appreciate the opportunity to respond to this draft report. If you have any further questions, I can be reached at 414-459-5606 or via email at todd.reiger@wellpoint.com.

Sincerely,

Digitally signed by
todd.reiger@wellpoint.com
DN: cn=todd.reiger@wellpoint.com
Date: 2013.04.29 12:07:45 -04'00'

Todd W. Reiger, CPA
Medicare Chief Financial Officer
National Government Services, Inc.

CC: Michael Kapp – NGS
Dave Marshall – NGS
Jeff Hannah – NGS
Jim Maguire – NGS

Matt Hughes – NGS
Jim Elmore – NGS
Joanne Imel – WellPoint
Marilyn Bryan – CMS

Jenenne Tambke – OIG

