

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**CAHABA GOVERNMENT BENEFITS
ADMINISTRATORS, LLC,
DID NOT CLAIM SOME ALLOWABLE
MEDICARE PENSION COSTS
THROUGH ITS
INCURRED COST PROPOSALS**

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



**Amy J. Frontz
Deputy Inspector General
for Audit Services**

**November 2020
A-07-19-00575**

Office of Inspector General

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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.

Report in Brief

Date: November 2020

Report No. A-07-19-00575

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL



Why OIG Did This Audit

The Centers for Medicare & Medicaid Services (CMS) reimburses Medicare contractors for a portion of their pension costs, which are funded by the annual contributions that these contractors make to their pension plans.

At CMS's request, the HHS, OIG, Office of Audit Services, Region VII pension audit team reviews the cost elements related to qualified defined-benefit, postretirement benefit, and any other pension-related cost elements claimed by Medicare contractors through Incurred Cost Proposals (ICPs).

Previous OIG audits found that Medicare contractors did not always comply with Federal requirements when claiming pension costs for Medicare reimbursement.

Our objective was to determine whether the calendar years (CYs) 2014 through 2016 qualified defined-benefit plan pension costs that Cahaba Government Benefits Administrators, LLC (Cahaba GBA), claimed for Medicare reimbursement, and reported on its ICPs, were allowable and correctly claimed.

How OIG Did This Audit

We reviewed \$10 million of Medicare pension costs that Cahaba GBA claimed for Medicare reimbursement on its ICPs for CYs 2014 through 2016.

Cahaba Government Benefits Administrators, LLC, Did Not Claim Some Allowable Medicare Pension Costs Through Its Incurred Cost Proposals

What OIG Found

Cahaba GBA claimed pension costs of \$10 million for Medicare reimbursement, through its ICPs, for CYs 2014 through 2016; however, we determined that the allowable Cost Accounting Standards-based pension costs during this period were \$10.6 million. The difference, \$593,158, represented allowable Medicare pension costs that Cahaba GBA did not claim on its ICPs for CYs 2014 through 2016. Cahaba GBA did not claim these allowable Medicare pension costs primarily because it based its claim for Medicare reimbursement on an incorrectly calculated allocable pension cost.

What OIG Recommends and Auditee Comments

We recommend that Cahaba GBA work with CMS to ensure that its final settlement of contract costs reflects an increase in Medicare pension costs of \$593,158 for CYs 2014 through 2016.

Cahaba GBA agreed with our recommendation to work with CMS to ensure that its final settlement of contract costs reflects an increase in the Medicare pension costs of \$593,158 for CYs 2014 through 2016. In addition, Cahaba GBA stated that it would ensure that future pension costs are claimed in accordance with the Medicare contracts.

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INTRODUCTION

WHY WE DID THIS AUDIT

Medicare contractors are eligible to be reimbursed a portion of their pension costs, which are funded by the annual contributions that these contractors make to their pension plans. The amount of pension costs that the Centers for Medicare & Medicaid Services (CMS) reimburses to the contractors is determined by the allocability and cost reimbursement principles contained in the Federal Acquisition Regulation (FAR), the Cost Accounting Standards (CAS), and the Medicare contracts. Previous Office of Inspector General (OIG) audits found that Medicare contractors did not always comply with Federal requirements when claiming pension costs for Medicare reimbursement.

At CMS's request, the OIG, Office of Audit Services, Region VII pension audit team reviews the cost elements related to qualified defined-benefit, nonqualified defined-benefit, postretirement benefit (PRB), and any other pension-related cost elements claimed by Medicare fiscal intermediaries and carrier contractors and Medicare administrative contractors (MACs) and CAS- and FAR-covered contracts through Final Administrative Cost Proposals, Incurred Cost Proposals (ICPs), or both.

For this audit, we focused on one Medicare contractor, Cahaba Government Benefits Administrators, LLC (Cahaba GBA). In particular, we examined the Cahaba GBA Medicare segment and Other segment pension costs that Cahaba GBA claimed for Medicare reimbursement and reported on its ICPs.

OBJECTIVE

Our objective was to determine whether the calendar years (CYs) 2014 through 2016 qualified defined-benefit plan pension costs (herein referred to as "pension costs") that Cahaba GBA claimed for Medicare reimbursement, and reported on its ICPs, were allowable and correctly claimed.

BACKGROUND

Cahaba Government Benefits Administrators, LLC, and Medicare

During our audit period, Cahaba GBA was a subsidiary of Blue Cross and Blue Shield of Alabama (BCBS Alabama), whose home office is in Birmingham, Alabama. Cahaba GBA administered the Medicare Parts A and B Jurisdiction 10¹ MAC contract under cost reimbursement contracts with

¹ Medicare Parts A and B Jurisdiction 10 consists of the States of Alabama, Georgia, and Tennessee.

CMS. The Jurisdiction 10 MAC contract ended² on January 11, 2014. Cahaba GBA continued to perform Medicare work after being awarded the MAC contract for Medicare Parts A and B Jurisdiction J (formerly Jurisdiction 10) effective September 17, 2014.

BCBS Alabama has two Medicare segments that participate in its qualified defined-benefit pension plan: (1) Cahaba GBA and (2) Cahaba Safeguard Administrators, LLC (Cahaba CSA). On January 1, 2013, BCBS Alabama created the Healthcare Business Solutions, LLC (HBS), intermediate home office segment (HBS segment) by transferring assets into it from the Cahaba GBA and Cahaba CSA segments.³ This report addresses the allowable pension costs claimed by Cahaba GBA under the provisions of its MAC contracts and CAS- and FAR-covered contracts. We are addressing Cahaba CSA's compliance with the MAC contracts in a separate audit.

The disclosure statement that Cahaba GBA submits to CMS states that Cahaba GBA uses pooled cost accounting. Medicare contractors use pooled cost accounting to calculate the indirect cost rates (whose computations include pension and PRB costs) that they submit on their ICPs. Medicare contractors use the indirect cost rates to calculate the contract costs that they report on their ICPs. In turn, CMS uses these indirect cost rates in determining the final indirect cost rates for each contract.⁴

Medicare Reimbursement of Pension Costs

CMS reimburses a portion of the annual contributions that contractors make to their pension plans. The pension costs are included in the computation of the indirect cost rates reported on the ICPs. In turn, CMS uses indirect cost rates in reimbursing costs under cost-reimbursement contracts. To be allowable for Medicare reimbursement, pension costs must be (1) measured, assigned, and allocated in accordance with CAS 412 and 413 and (2) funded as specified by part 31 of the FAR. In claiming costs, contractors must follow cost reimbursement principles contained in the FAR, the CAS, and the Medicare contracts.

Incurred Cost Proposal Audits

At CMS's request, Davis Farr, LLP (Farr), performed audits of the ICPs that Cahaba GBA submitted for CYs 2014 through 2016. The objectives of the Farr ICP audits were to determine

² The original Jurisdiction 10 MAC contract ended on January 11, 2014, but Cahaba GBA completed a Jurisdiction 10 Bridge Contract that was effective through June 30, 2015.

³ Although BCBS Alabama created the HBS segment, we determined that this segment was not a Medicare segment. However, we include the asset variances related to the HBS segment assets in Appendix B. Because HBS is not a Medicare segment, we do not opine on the variances noted in the HBS segment pension assets.

⁴ For each CY, each Medicare contractor submits to CMS an ICP that reports the Medicare direct and indirect costs that the contractor incurred during that year. The ICP and supporting data provide the basis for the CMS Contracting Officer and the Medicare contractor to determine the final billing rates for allowable Medicare costs.

whether costs were allowable in accordance with the FAR, the U.S. Department of Health and Human Services Acquisition Regulation, and the CAS.

For our current audit, we relied on the Farr ICP audit findings and recommendations when computing the allowable pension costs discussed in this report.

We incorporated the results of the Farr ICP audits into our computations of the audited indirect cost rates, and ultimately the pension costs claimed, for the contracts subject to the FAR. CMS will use our report on allowable pension costs, as well as the Farr ICP audit reports, to determine the final indirect cost rates and the total allowable contract costs for Cahaba GBA for CYs 2014 through 2016. The cognizant Contracting Officer will perform a final settlement with the contractor to determine the final indirect cost rates. These rates ultimately determine the final costs of each contract.⁵

HOW WE CONDUCTED THIS AUDIT

We reviewed \$10,048,252 of Medicare pension costs that Cahaba GBA claimed for Medicare reimbursement on its ICPs for CYs 2014 through 2016.

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 finding and conclusions based on our audit objectives.

Appendix A contains details of our audit scope and methodology.

FINDING

Cahaba GBA claimed pension costs of \$10,048,252 for Medicare reimbursement, through its ICPs, for CYs 2014 through 2016; however, we determined that the allowable CAS-based pension costs during this period were \$10,641,410. The difference, \$593,158, represented allowable Medicare pension costs that Cahaba GBA did not claim on its ICPs for CYs 2014 through 2016. Cahaba GBA did not claim these allowable Medicare pension costs primarily because it used incorrect indirect cost rates when claiming pension costs for Medicare reimbursement. Specifically, Cahaba GBA used an incorrect allocable pension cost when calculating the indirect cost rates.

⁵ In accordance with FAR 42.705-1(b)(5)(ii) and FAR 42.705-1(b)(5)(iii)(B), the cognizant Contracting Officer shall “[p]repare a written indirect cost rate agreement conforming to the requirements of the contracts” and perform a “[r]econciliation of all costs questioned, with identification of items and amounts allowed or disallowed in the final settlement,” respectively.

ALLOCABLE MEDICARE SEGMENT PENSION COSTS UNDERSTATED

During this audit, we calculated the allocable Medicare segment pension costs for CYs 2014 through 2016 in accordance with Federal requirements. We determined that the allocable Medicare segment pension costs for CYs 2014 through 2016 totaled \$10,426,894. Cahaba GBA reported that its allocable pension costs, as identified in its actuarial computations, totaled \$9,715,000. Therefore, Cahaba GBA understated the Medicare segment allocable pension costs by \$711,894. This understatement occurred because Cahaba GBA based its claim for Medicare reimbursement on an incorrectly calculated allocable pension cost. More specifically, Cahaba GBA claimed an estimated pension cost for its Medicare segment rather than its actuarially determined Medicare segment pension cost.

Table 1 below shows the differences between the allocable Medicare segment CAS-based pension costs that we determined for CYs 2014 through 2016 and the Medicare segment allocable pension costs that Cahaba GBA calculated for the same time period.

Table 1: Allocable Medicare Segment Pension Costs

CY	Allocable Per Audit	Per Cahaba GBA	Difference
2014	\$4,420,339	\$4,301,000	\$119,339
2015	3,277,133	2,994,000	283,133
2016	2,729,422	2,420,000	309,422
Total	\$10,426,894	\$9,715,000	\$711,894

ALLOCABLE OTHER SEGMENT PENSION COSTS OVERSTATED

During the current audit, we calculated the allocable Other segment pension costs for CYs 2014 through 2016 in accordance with Federal requirements. We determined that the allocable Other segment pension costs for CYs 2014 through 2016 totaled \$127,451,729. Cahaba GBA reported that its Other segment allocable pension costs, as identified in its actuarial computations, totaled \$137,671,000. Therefore, Cahaba GBA overstated the allocable Other segment pension costs by \$10,219,271. This overstatement occurred because Cahaba GBA based its claim for Medicare reimbursement on an incorrectly calculated allocable pension cost. More specifically, Cahaba GBA claimed an estimated pension cost for its Medicare segment rather than its actuarially determined Medicare segment pension cost.

Table 2 on the following page shows the allocable Other segment pension costs that we determined for CYs 2014 through 2016.

Table 2: Allocable Other Segment Pension Costs

CY	Allocable Per Audit	Per Cahaba GBA	Difference
2014	\$43,553,499	\$47,049,000	(\$3,495,501)
2015	43,715,874	47,064,000	(3,348,126)
2016	40,182,356	43,558,000	(3,375,644)
Total	\$127,451,729	\$137,671,000	(\$10,219,271)

CALCULATION OF ALLOWABLE PENSION COSTS

We used both the Medicare segment and the Other segment (Appendix C) allocable pension costs to adjust the indirect cost rates (i.e., the fringe benefit and general and administrative rates) to determine the allowable pension costs for Medicare reimbursement for CYs 2014 through 2016.

Cahaba GBA claimed Medicare pension costs of \$10,048,252 on its ICPs for CYs 2014 through 2016. After incorporating the results of the Farr ICP audits and our adjustments to the indirect cost rates, we determined that the allowable CAS-based pension costs for CYs 2014 through 2016 were \$10,641,410. Thus, Cahaba GBA did not claim \$593,158 of allowable Medicare pension costs on its ICPs for CYs 2014 through 2016. This underclaim occurred specifically because Cahaba GBA based its claim for Medicare reimbursement on incorrect pension costs included in the indirect cost rates on the ICPs.

We calculated the allowable Medicare pension costs based on separately computed CAS-based pension costs in accordance with CAS 412 and 413. (Our calculation does not appear in this report because those indirect cost rate computations that Cahaba GBA used in its ICPs, and to which we referred as part of our audit, are proprietary information.) For details on the Federal requirements, see Appendix B.

Table 3 below compares the Medicare pension costs that we calculated (using our adjusted indirect cost rates) to the pension costs that Cahaba GBA claimed for Medicare reimbursement for CYs 2014 through 2016.

Table 3: Comparison of Allowable Pension Costs and Claimed Pension Costs

CY	Allowable Per Audit	Per Cahaba GBA	Difference
2014	\$4,530,934	\$4,421,764	\$109,170
2015	3,406,026	3,134,899	271,127
2016	2,704,450	2,491,589	212,861
Total	\$10,641,410	\$10,048,252	\$593,158

RECOMMENDATION

We recommend that Cahaba Government Benefits Administrators, LLC, work with CMS to ensure that its final settlement of contract costs reflects an increase in Medicare pension costs of \$593,158 for CYs 2014 through 2016.

AUDITEE COMMENTS

In written comments on our draft report, Cahaba GBA agreed with our recommendation to work with CMS to ensure that its final settlement of contract costs reflects an increase in the Medicare pension costs of \$593,158 for CYs 2014 through 2016. In addition, Cahaba GBA stated that it would ensure that future pension costs are claimed in accordance with the Medicare contracts.

Cahaba GBA's comments appear in their entirety as Appendix D.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

We reviewed \$10,048,252 of Medicare pension costs that Cahaba GBA claimed for Medicare reimbursement on its ICPs for CYs 2014 through 2016.

Achieving our objective did not require that we review Cahaba GBA's overall internal control structures. We reviewed the internal controls related to the pension costs that were included in Cahaba GBA's ICPs and ultimately used as the basis for Medicare reimbursement, to ensure that these costs were allocable in accordance with the CAS and allowable in accordance with the FAR.

We performed audit work at our office located in Jefferson City, Missouri.

METHODOLOGY

To accomplish our objective, we:

- reviewed the portions of the FAR, CAS, and Medicare contracts applicable to this audit;
- reviewed information provided by Cahaba GBA to identify the amounts of pension costs used in Cahaba GBA's calculation of indirect cost rates for CYs 2014 through 2016;
- reviewed the results of the Farr ICP audits and incorporated those results into our calculations of allowable pension costs;
- engaged the CMS Office of the Actuary, which provides technical actuarial advice, to calculate the allocable pension costs based on the CAS (the calculations were based on separately computed CAS-based pension costs for the Medicare segment and the Other segment);
- reviewed the CMS actuaries' methodology and calculations; and
- provided the results of our audit to Cahaba GBA officials on July 13, 2020.

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

- *Cahaba Safeguard Administrators, LLC, Claimed Some Unallowable Medicare Pension Costs Through Its Incurred Cost Proposals (A-07-19-00576);*

- *Cahaba Government Benefits Administrators, LLC, Claimed Some Unallowable Medicare Postretirement Benefit Costs Through Its Incurred Cost Proposals (A-07-19-00577); and*
- *Cahaba Safeguard Administrators, LLC, Claimed Some Unallowable Medicare Postretirement Benefit Costs Through Its Incurred Cost Proposals (A-07-19-00578).*

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 objective. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objective.

APPENDIX B: FEDERAL REQUIREMENTS RELATED TO REIMBURSEMENT OF PENSION COSTS

FEDERAL REGULATIONS

Federal regulations (FAR 31.205-6(j)) require Medicare contractors to measure, assign, and allocate the costs of all defined-benefit pension plans in accordance with CAS 412 and 413.

Federal regulations (FAR 52.216-7(a)(1)) address the invoicing requirements and the allowability of payments as determined by the Contracting Officer in accordance with FAR subpart 31.2.

Federal regulations (CAS 412) (as amended) address the determination and measurement of pension cost components. These regulations also address the assignment of pension costs to appropriate accounting periods.

Federal regulations (CAS 413) (as amended) address 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.

MEDICARE CONTRACTS

The Medicare contracts require Cahaba GBA to submit invoices in accordance with FAR 52.216-7, "Allowable Cost & Payment." (See our citation to FAR 52.216-7(a)(1) in "Federal Regulations" above.)

**APPENDIX C: ALLOCABLE MEDICARE PENSION COSTS
FOR CAHABA GOVERNMENT BENEFITS ADMINISTRATORS, LLC,
FOR CALENDAR YEARS 2014 THROUGH 2016**

Date	Description	Total Company	Other Segment	HBS Segment	Cahaba GBA	Cahaba CSA
2014	Contributions <u>1/</u>	\$83,500,000	\$83,500,000	\$0	\$0	\$0
	Discount for Interest <u>2/</u>	(\$4,721,084)	(\$4,721,084)	\$0	\$0	\$0
January 1, 2014	Present Value Contributions <u>3/</u>	\$78,778,916	\$78,778,916	\$0	\$0	\$0
	Prepayment Credit Applied <u>4/</u>	\$49,257,123	\$43,553,499	\$432,233	\$4,420,339	\$851,052
	Present Value of Funding <u>5/</u>	\$128,036,039	\$122,332,415	\$432,233	\$4,420,339	\$851,052
January 1, 2014	CAS Funding Target <u>6/</u>	\$49,257,123	\$43,553,499	\$432,233	\$4,420,339	\$851,052
	Percentage Funded <u>7/</u>		100.00%	100.00%	100.00%	100.00%
	Funded Pension Cost <u>8/</u>		\$43,553,499	\$432,233	\$4,420,339	\$851,052
	Allowable Interest <u>9/</u>		\$0	\$0	\$0	\$0
2014	CY Allocable Pension Cost <u>10/</u>		\$43,553,499	\$432,233	\$4,420,339	\$851,052

Date	Description	Total Company	Other Segment	HBS Segment	Cahaba GBA	Cahaba CSA
2015	Contributions	\$23,000,000	\$23,000,000	\$0	\$0	\$0
	Discount for Interest	(\$1,496,707)	(\$1,496,707)	\$0	\$0	\$0
January 1, 2015	Present Value Contributions	\$21,503,293	\$21,503,293	\$0	\$0	\$0
	Prepayment Credit Applied	\$48,066,976	\$43,715,874	\$470,197	\$3,277,133	\$603,772
	Present Value of Funding	\$69,570,269	\$65,219,167	\$470,197	\$3,277,133	\$603,772
January 1, 2015	CAS Funding Target	\$48,066,976	\$43,715,874	\$470,197	\$3,277,133	\$603,772
	Percentage Funded		100.00%	100.00%	100.00%	100.00%
	Funded Pension Cost		\$43,715,874	\$470,197	\$3,277,133	\$603,772
	Allowable Interest		\$0	\$0	\$0	\$0
2015	CY Allocable Pension Cost		\$43,715,874	\$470,197	\$3,277,133	\$603,772

Date	Description	Total Company	Other Segment	HBS Segment	Cahaba GBA	Cahaba CSA
2016	Contributions	\$42,000,000	\$42,000,000	\$0	\$0	\$0
	Discount for Interest	(\$2,682,169)	(\$2,682,169)	\$0	\$0	\$0
January 1, 2016	Present Value Contributions	\$39,317,831	\$39,317,831	\$0	\$0	\$0
	Prepayment Credit Applied	\$43,861,488	\$40,182,356	\$496,347	\$2,729,422	\$453,363
	Present Value of Funding	\$83,179,319	\$79,500,187	\$496,347	\$2,729,422	\$453,363
January 1, 2016	CAS Funding Target	\$43,861,488	\$40,182,356	\$496,347	\$2,729,422	\$453,363
	Percentage Funded		100.00%	100.00%	100.00%	100.00%
	Funded Pension Cost		\$40,182,356	\$496,347	\$2,729,422	\$453,363
	Allowable Interest		\$0	\$0	\$0	\$0
2016	CY Allocable Pension Cost		\$40,182,356	\$496,347	\$2,729,422	\$453,363

ENDNOTES

1/ We obtained these Total Company contribution amounts and dates of deposit from Internal Revenue Service Form 5500 reports. These contributions include deposits made during the CY. We determined the contributions allocated to the Medicare segment during the pension segmentation review (A-07-19-00570).

2/ We subtracted the interest that was included in the contributions deposited after the beginning of the valuation year to discount the contributions back to their beginning-of-the-year value. For purposes of this Appendix, we computed the interest as the difference between the present value of contributions (at the CAS valuation interest rate) and actual contribution amounts.

- 3/ The present value of contributions is the value of the contributions discounted from the date of deposit back to the first day of the CY. For purposes of this Appendix, we deemed deposits made after the end of the CY to have been made on the final day of the CY, consistent with the method established by the Employee Retirement Income Security Act prior to the implementation of the Pension Protection Act.
- 4/ A prepayment credit represents the accumulated value of premature funding from the previous year(s). A prepayment credit is created when contributions, plus interest, exceed the end-of-year CAS funding target. A prepayment credit is carried forward, with interest, to fund future CAS pension costs.
- 5/ The present value of funding represents the present value of contributions plus prepayment credits. This is the amount of funding that is available to cover the CAS funding target measured at the first day of the CY.
- 6/ The CAS funding target must be funded by contributions made during the current accounting period or prepaid contributions to satisfy the funding requirement of the FAR 31.205-6(j)(2)(i).
- 7/ The percentage of costs funded is a measure of the portion of the CAS funding target that was funded during the CY. Because any funding in excess of the CAS funding target is accounted for as a prepayment in accordance with CAS 412.50(c)(1), the funded ratio may not exceed 100 percent. We computed the percentage funded as the present value of funding divided by the CAS funding target. For purposes of illustration, the percentage of funding has been rounded to four decimal places.
- 8/ We computed the funded CAS-based pension cost as the CAS funding target multiplied by the percent funded.
- 9/ We assumed that interest on the funded CAS-based pension cost, less the prepayment credit, accrues in the same proportion as the interest on contributions bears to the present value of contributions. However, we limited the interest in accordance with FAR 31.205-6(j)(2)(iii), which does not permit the allowable interest to exceed the interest that would accrue if the CAS funding target, less the prepayment credit, were funded in four equal installments deposited within 30 days after the end of the quarter.
- 10/ The CY allocable CAS pension cost is the amount of pension cost that may be allocated for contract cost purposes.

APPENDIX D: AUDITEE COMMENTS



October 16, 2020

Department of Health and Human Services
Office of Inspector General
Office of Audit Services
Attention: Jenenne Tambke, Assistant Regional Inspector General for Audit Services
Region VII
601 East 12th Street, Room 0429
Kansas City, Missouri 64106

RE: Report Number A-07-19-00575 Cahaba Government Benefit Administrators, LLC, Did Not Claim Some Allowable Medicare Pension Costs Through Its Incurred Cost Proposals

Dear Ms. Tambke,

This report is in response to the draft report issued to Cahaba Government Benefit Administrators, LLC (Cahaba) for the above mentioned audit. We agree with the recommendation to work with CMS to ensure its final settlement of contract costs reflects an increase in the Medicare pension costs of \$593,158 for the calendar years 2014 through 2016. In addition, Cahaba will ensure that future pension costs are claimed in accordance with the Medicare contracts.

If you should have questions regarding this report, please contact Keith O'Neal, Department Manager Accounting/Reporting, at (205)-220-6202 or via e-mail at keith.oneal@bcbsal.org.

Sincerely,

/Randy Heal/
Randy Heal