Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

NORIDIAN HEALTHCARE SOLUTIONS, LLC, DID NOT CLAIM SOME ALLOWABLE MEDICARE POSTRETIREMENT BENEFIT COSTS THROUGH ITS INCURRED COST PROPOSALS FOR CALENDAR YEARS 2014 THROUGH 2016

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

January 2022
A-07-21-00605

Office of Inspector General

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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.

Report in Brief
Date: January 2022
Report No. A-07-21-00605

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

Noridian Healthcare Solutions, LLC, Did Not Claim Some Allowable Medicare Postretirement Benefit Costs Through Its Incurred Cost Proposals for Calendar Years 2014 Through 2016

Why OIG Did This Audit

The Centers for Medicare & Medicaid Services (CMS) reimburses contractors for a portion of their postretirement benefit (PRB) costs, which are funded by the contributions that contractors make to their dedicated trust fund.

The HHS, OIG, Office of Audit Services, Region VII pension audit team reviews the cost elements related to qualified defined-benefit, PRB, 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 correctly identify and claim PRB costs.

Our objective was to determine whether the calendar years (CYs) 2014 through 2016 PRB costs that Noridian Healthcare Solutions, LLC (NHS), claimed for Medicare reimbursement, and reported on its ICPs, were allowable and correctly claimed.

How OIG Did This Audit

We reviewed negative $15.6 million of Medicare PRB costs that NHS claimed for Medicare reimbursement on its ICPs for CYs 2014 through 2016.

What OIG Found

NHS claimed PRB costs of negative $15.6 million for Medicare reimbursement, through its ICPs, for CYs 2014 through 2016; however, we determined that the allowable PRB costs during this period were negative $14.1 million. The difference, $1.5 million, represented allowable Medicare PRB costs that NHS did not claim on its ICPs for CYs 2014 through 2016. NHS did not claim these allowable Medicare PRB costs primarily because it used incorrect indirect cost rates when claiming PRB costs for Medicare reimbursement. Specifically, NHS used incorrect allocable PRB costs when calculating the indirect cost rates.

What OIG Recommends and Auditee Comments

We recommend that NHS work with CMS to ensure that its final settlement of contract costs reflects an increase in Medicare PRB costs of $1.5 million for CYs 2014 through 2016.

NHS neither agreed nor disagreed with our finding that the allowable Medicare PRB costs in the ICPs for CYs 2014 through 2016 were understated, but added that it generally agreed with the methodology we used for the finding. NHS further stated that it would work with CMS to ensure a final settlement of the contract costs to include an appropriate adjustment to Medicare PRB costs for CYs 2014 through 2016, consistent with the methodology as documented in this report.

We acknowledge that our audited adjustments take time for auditees like NHS to review. We gave NHS a total of 60 days to respond to our draft report, and we provided NHS with both the audited actuarial computations (which included the audited allocable PRB costs used to determine the indirect cost rates) and the calculations for the allowable PRB costs.

Although NHS did not specifically agree or disagree with our finding, NHS did generally agree with the methodology we used to calculate the allowable PRB costs. We continue to recommend, using that methodology, that NHS work with CMS to ensure that its final settlement of contract costs reflects an increase in Medicare PRB costs of $1.5 million for CYs 2014 through 2016. Therefore, we maintain that our finding and recommendation remain valid.

The full report can be found at https://oig.hhs.gov/oas/reports/region7/72100605.asp.

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INTRODUCTION

WHY WE DID THIS AUDIT

Medicare contractors are eligible to be reimbursed a portion of their postretirement benefit (PRB) costs, which are funded by contributions that these contractors make to their dedicated trust fund. The amount of PRB costs that the Centers for Medicare & Medicaid Services (CMS) reimburses to the contractors is determined by the cost reimbursement principles contained in the Federal Acquisition Regulation (FAR) as required by the Medicare contracts. Previous Office of Inspector General audits found that Medicare contractors have not always complied with Federal requirements when claiming PRB costs for Medicare reimbursement.

At CMS's request, the Department of Health and Human Services (HHS), Office of Inspector General, Office of Audit Services, Region VII pension audit team reviews the cost elements related to qualified defined-benefit, nonqualified defined-benefit, PRB, and any other pension-related cost elements claimed by Medicare fiscal intermediaries and carrier contractors and Medicare administrative contractors (MACs) and Cost Accounting Standard (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, Noridian Healthcare Solutions, LLC (NHS). In particular, we examined the NHS Medicare segment and Other segment PRB costs that NHS claimed for Medicare reimbursement and reported on its ICPs.

OBJECTIVE

Our objective was to determine whether the calendar years (CYs) 2014 through 2016 PRB costs that NHS claimed for Medicare reimbursement, and reported on its ICPs, were allowable and correctly claimed.

BACKGROUND

Noridian Healthcare Solutions, LLC, and Medicare

NHS is a subsidiary of Blue Cross Blue Shield of North Dakota (BCBS North Dakota) (formerly Noridian Mutual Insurance Company), whose home office is in Fargo, North Dakota. NHS administered Medicare Part A, Medicare Part B, and Medicare Durable Medical Equipment (DME) contract operations under MAC contracts for Medicare Parts A and B Jurisdictions E[1] and

[1] Medicare Parts A and B Jurisdiction E includes the States of California, Hawaii, and Nevada, and the U.S. Territories of American Samoa, Guam, and the Northern Mariana Islands.

F[2] and Medicare DME Jurisdictions A[3] and D.[4] In addition, NHS held the Pricing, Data Analysis and Coding contract.

This report addresses the allowable PRB costs claimed by NHS, under the provisions of its MAC contracts and CAS- and FAR-covered contracts. NHS claimed PRB costs using the segmented accrual basis of accounting. NHS participates in a voluntary employee benefit association (VEBA) trust for the purpose of funding annual PRB plans.

The disclosure statement that NHS submits to CMS states that NHS uses pooled cost accounting. Medicare contractors use pooled cost accounting to calculate the indirect cost rates (whose computations include pension, PRB, and Supplemental Executive Retirement Plan 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.[5]

Medicare Reimbursement of Postretirement Benefit Costs

CMS reimburses a portion of the Medicare contractors' annual PRB costs, which are funded by contributions that contractors make to their PRB plans. The PRB 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.

Federal regulations (FAR 31.205-6(o)) require that to be allowable for Medicare reimbursement, PRB costs must be: (1) measured, assigned, and allocated in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 715-60 (formerly Statement of Financial Accounting Standards (SFAS) 106) and (2) funded as specified by part 31 of the FAR. In claiming costs, contractors must follow cost reimbursement principles contained in the FAR and the Medicare contracts. For contractors that account for costs using the ASC 715 valuation method, a negative plan amendment can produce negative PRB costs.[6]

[2] Medicare Parts A and B Jurisdiction F includes the States of Alaska, Arizona, Idaho, Montana, North Dakota, Oregon, South Dakota, Utah, Washington, and Wyoming.

[3] Medicare DME Jurisdiction A includes the States of Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont, and the District of Columbia.

[4] Medicare DME Jurisdiction D includes the States of Alaska, Arizona, California, Hawaii, Idaho, Iowa, Kansas, Missouri, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, and Wyoming, and the U.S. Territories of American Samoa, Guam, and the Northern Mariana Islands.

[5] 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.

[6] A negative plan amendment can occur when there is a plan change because a contractor reduces benefits already earned by plan participants for past services.

Incurred Cost Proposal Audits

At CMS's request, Kearney & Company, P.C. (Kearney), and Davis Farr (Farr) performed audits of the ICPs that NHS submitted for CYs 2014 through 2016. The objectives of the Kearney and Farr ICP audits were to determine whether costs were allowable in accordance with the FAR, the HHS Acquisition Regulation, and the CAS.

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

We incorporated the results of the Kearney and Farr ICP audits into our computations of the audited indirect cost rates, and ultimately the PRB costs claimed, for the contracts subject to the FAR. CMS will use our report on allowable PRB costs, as well as the Kearney and Farr ICP audit reports, to determine the final indirect cost rates and the total allowable contract costs for NHS 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.[7]

HOW WE CONDUCTED THIS AUDIT

We reviewed negative $15,636,645 of Medicare PRB costs that NHS claimed for Medicare reimbursement on its ICPs for CYs 2014 through 2016.[8]

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

NHS claimed PRB costs of negative $15,636,645 for Medicare reimbursement, through its ICPs, for CYs 2014 through 2016; however, we determined that the allowable PRB costs during this period were negative $14,105,622. The difference, $1,531,023, represented allowable Medicare PRB costs that NHS did not claim on its ICPs for CYs 2014 through 2016. NHS did not

[7] 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.

[8] Negative PRB costs represent reimbursements of prior trust contributions for benefits that were reduced by the negative plan amendment (footnote 6).

claim these allowable Medicare PRB costs primarily because it used incorrect indirect cost rates when claiming PRB costs for Medicare reimbursement. Specifically, NHS used incorrect allocable PRB costs when calculating the indirect cost rates.

ALLOCABLE MEDICARE SEGMENT POSTRETIREMENT BENEFIT COSTS UNDERSTATED

During this audit, we calculated the allocable Medicare segment PRB cost for CY 2016 in accordance with Federal requirements. We determined that the allocable Medicare segment PRB costs for CYs 2014 through 2016 totaled negative $10,972,611.[9] NHS reported that its allocable PRB costs, as identified in its actuarial computations, totaled negative $11,113,031. Therefore, NHS understated the Medicare segment allocable PRB costs by $140,420. This understatement occurred because NHS incorrectly calculated assignable PRB costs. More specifically, this underclaim occurred primarily because of differences in the identification of the Medicare segment participants.[10]

Table 1 shows the differences between the allocable Medicare segment PRB costs that we determined for CYs 2014 through 2016 and the Medicare segment PRB costs that NHS calculated for the same time period.

Table 1: Medicare Segment Allocable PRB Costs

CY	Allocable Per Audit	Per NHS	Difference
2014	(1,115,026)	(954,873)	(160,153)
2015	(5,268,563)	(5,390,244)	121,681
2016	(4,589,022)	(4,767,914)	178,892
Total	**($10,972,611)**	**($11,113,031)**	**$140,420**

ALLOCABLE OTHER SEGMENT POSTRETIREMENT BENEFIT COSTS UNDERSTATED

During the current audit, we calculated the allocable Other segment negative Medicare PRB cost for CY 2016 in accordance with Federal requirements. We determined that the allocable Other segment negative PRB costs for CYs 2014 through 2016 totaled $10,228,456.[11] NHS reported that its allocable negative PRB costs, as identified in its actuarial computations,

[9] We identified the allocable Medicare segment PRB costs for CYs 2014 and 2015 in our previous audit (A-07-19-00568; Nov. 6, 2019). For the current audit, we incorporated these allocable PRB costs into the indirect cost rates to determine the allowable PRB costs.

[10] NHS overstated its negative Medicare segment allocable PRB costs, which ultimately resulted in an underclaim of allocable PRB costs.

[11] We identified the Other segment allocable PRB costs for CYs 2014 and 2015 in our previous audit (A-07-19-00568; Nov. 6, 2019). For the current audit, we incorporated these allocable PRB costs into the indirect cost rates to determine the allowable PRB costs.

totaled $13,060,492. Therefore, NHS understated the allocable Other segment PRB costs by $2,832,036. This understatement occurred because NHS incorrectly calculated assignable PRB costs. More specifically, this underclaim occurred primarily because of differences in the calculation of the amortization.[12]

Table 2 shows the difference between the allocable Other segment PRB costs that we determined for CYs 2014 through 2016 and the Other segment PRB costs that NHS calculated for the same time period.

Table 2: Other Segment Allocable PRB Costs

CY	Allocable Per Audit	Per NHS	Difference
2014	($764,887)	($626,950)	($137,937)
2015	(5,742,374)	(6,167,781)	425,407
2016	(3,721,195)	(6,265,761)	2,544,566
Total	**($10,228,456)**	**($13,060,492)**	**$2,832,036**

We used the allocable PRB costs to adjust the indirect cost rates (i.e., the fringe benefit and general and administrative rates) and, in turn, to calculate the information presented in Table 3 later in this report.[13]

CALCULATION OF ALLOWABLE POSTRETIREMENT BENEFIT COSTS

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

NHS claimed negative Medicare PRB costs of $15,636,645 on its ICPs for CYs 2014 through 2016. After incorporating the results of the ICP audits and our adjustments to the indirect cost rates, we determined that the allowable PRB costs for CYs 2014 through 2016 were negative $14,105,622. Thus, NHS did not claim $1,531,023 of allowable Medicare PRB costs on its ICPs for CYs 2014 through 2016. This underclaim occurred specifically because NHS based its claim for Medicare reimbursement on incorrect allocable PRB costs included in the indirect cost rates on the ICPs.

We calculated the allowable Medicare PRB costs in accordance with Federal requirements (footnote 13). For details on the Federal requirements, see Appendix B.

[12] NHS overstated its negative Other segment allocable PRB costs, which resulted in an underclaim of allocable PRB costs.

[13] Our calculation of allowable costs does not appear in this report because those rate computations that NHS used in its ICPs, and to which we referred as part of our audit, are proprietary information.

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

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

CY	Allowable Per Audit	Per NHS	Difference
2014	($1,022,592)	($822,637)	($199,955)
2015	(7,168,163)	(7,706,554)	538,391
2016	(5,914,867)	(7,107,454)	1,192,587
Total	**(14,105,622)**	**($15,636,645)**	**$1,531,023**

RECOMMENDATION

We recommend that Noridian Healthcare Solutions, LLC, work with CMS to ensure that its final settlement of contract costs reflects an increase in Medicare PRB costs of $1,531,023 for CYs 2014 through 2016.

AUDITEE COMMENTS

In written comments on our draft report, NHS neither agreed nor disagreed with our finding that the allowable Medicare PRB costs in the ICPs for CYs 2014 through 2016 were understated. Specifically, NHS stated that it had not had sufficient time to validate the numbers from the HHS-adjusted ICPs but added that it generally agreed with the methodology we used for the finding.

NHS further stated that it would work with CMS to ensure a final settlement of the contract costs to include an appropriate adjustment to Medicare PRB costs for CYs 2014 through 2016, consistent with the methodology as documented in this report.

NHS's comments appear in their entirety as Appendix D.[14]

OFFICE OF INSPECTOR GENERAL RESPONSE

We acknowledge that our audited adjustments take time for auditees like NHS to review. We gave NHS a total of 60 days to respond to our draft report (which included an extension of 30 days beyond our usual 30 days). Also, before we issued the draft report, we provided NHS with the audited actuarial computations that included the audited allocable PRB costs used to determine the indirect cost rates. These rates, in turn, are used to calculate the audited

[14] Although BCBS North Dakota, of which NHS is a subsidiary, provided written comments on this draft report, for consistency we associate these comments with NHS.

allowable PRB costs. After the draft report was issued, NHS requested, on November 8, 2021, the calculations for the allowable PRB costs. We provided this information the same day.

Although NHS did not specifically agree or disagree with our finding, NHS did generally agree with the methodology we used to calculate the allowable PRB costs. After reviewing NHS's comments, we continue to recommend, using that methodology, that NHS work with CMS to ensure that its final settlement of contract costs reflects an increase in Medicare PRB costs of $1,531,023 for CYs 2014 through 2016. Therefore, we maintain that our finding and recommendation remain valid.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

We reviewed negative $15,636,645 of Medicare PRB costs that NHS claimed for Medicare reimbursement on its ICPs for CYs 2014 through 2016 (footnote 8).

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

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

METHODOLOGY

To accomplish our objective, we:

- reviewed the portions of the FAR and Medicare contracts applicable to this audit;
- reviewed information provided by NHS to identify the amounts of PRB costs used in NHS's calculation of indirect cost rates for CYs 2014 through 2016;
- used information that BCBS North Dakota's actuarial consulting firms provided, including information on VEBA assets, PRB obligations, service costs, contributions, claims paid, claims reimbursed, investment earnings, and administrative expenses;
- reviewed the results of the Kearney and Farr ICP audits and incorporated those results into our calculations of allowable PRB costs;
- incorporated information from our previous report (A-07-19-00568; see below);
- engaged the CMS Office of the Actuary, which provides technical actuarial advice, to calculate the allocable PRB costs based on Federal requirements;
- reviewed the CMS actuaries' methodology and calculations; and
- provided the results of our audit to NHS officials on August 5, 2021.

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

- *Noridian Healthcare Solutions, LLC, Did Not Claim Some Allowable Medicare Postretirement Benefit Costs Through Its Incurred Costs Proposals* (A-07-19-00568, Nov. 6, 2019); and

- *Noridian Healthcare Solutions, LLC, Understated Its Medicare Segment Postretirement Benefit Assets as of January 1, 2017* (A-07-21-00604).

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 B: FEDERAL REQUIREMENTS RELATED TO REIMBURSEMENT OF POSTRETIREMENT BENEFIT COSTS

FEDERAL REGULATIONS

Federal regulations (FAR 31.205-6(o)) require that PRB accrual costs be determined in accordance with SFAS 106 and funded into a dedicated trust fund, such as a VEBA trust. The FAR states that accrual accounting may be used to determine the allowable PRB costs if the cost is measured and assigned (actuarially determined) according to generally accepted accounting principles based on amortization of any transition obligation. Costs attributable to past service (transition obligation) must be assigned under the delayed recognition methodology described in paragraphs 112 and 113 of SFAS 106. The FAR also states that allowable costs must be funded by the time set for filing the Federal income tax return or any extension thereof, and must comply with the applicable standards promulgated by the Actuarial Standards Board.

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

MEDICARE CONTRACTS

The Medicare contracts require NHS 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 POSTRETIREMENT BENEFIT COSTS FOR NORIDIAN HEALTHCARE SOLUTIONS, LLC, FOR CALENDAR YEARS 2014 THROUGH 2016*

Date	Description		Total Company	Other Segment	Medicare Segment
2014	Contributions		$0	$0	$0
	Contributions Receivable		$0	$0	$0
	Benefits Paid		$0	$0	$0
	Discount for Interest		$0	$0	$0
January 1, 2014	Present Value Contributions		$0	$0	$0
	Prepayment Credit Applied		$0	$0	$0
	Present Value of Funding		$0	$0	$0
January 1, 2014	CAS Funding Target	1/	($1,879,913)	($764,887)	($1,115,026)
	Percentage Funded	2/		100.00%	100.00%
	Funded PRB Cost	3/		($764,887)	($1,115,026)
	Allowable Interest			$0	$0
2014	CY Allocable PRB Cost	4/		($764,887)	($1,115,026)

Date	Description	Total Company	Other Segment	Medicare Segment
2015	Contributions	$0	$0	$0
	Contributions Receivable	$0	$0	$0
	Benefits Paid	$0	$0	$0
	Discount for Interest	$0	$0	$0
January 1, 2015	Present Value Contributions	$0	$0	$0
	Prepayment Credit Applied	$0	$0	$0
	Present Value of Funding	$0	$0	$0
January 1, 2015	CAS Funding Target	($11,010,937)	($5,742,374)	($5,268,563)
	Percentage Funded		100.00%	100.00%
	Funded PRB Cost		($5,742,374)	($5,268,563)
	Allowable Interest		$0	$0
2015	CY Allocable PRB Cost		($5,742,374)	($5,268,563)

Date	Description	Total Company	Other Segment	Medicare Segment
2016	Contributions	$0	$0	$0
	Contributions Receivable	$0	$0	$0
	Benefits Paid	$0	$0	$0
	Discount for Interest	$0	$0	$0
January 1, 2016	Present Value Contributions	$0	$0	$0
	Prepayment Credit Applied	$0	$0	$0
	Present Value of Funding	$0	$0	$0
January 1, 2016	CAS Funding Target	($8,310,217)	($3,721,195)	($4,589,022)
	Percentage Funded		100.00%	100.00%
	Funded PRB Cost		($3,721,195)	($4,589,022)
	Allowable Interest		$0	$0
2016	CY Allocable PRB Cost		($3,721,195)	($4,589,022)

* The PRB costs for 2014 and 2015 were presented in our prior PRB costs claimed report (A-07-19-00568, Nov. 6, 2019). The allowable PRB costs for CYs 2014 and 2015 were not determined in the prior PRB costs claimed audit.

ENDNOTES

1/ The CAS funding target is based on the assignable PRB costs computed during our audit. The CAS funding target must be funded by accumulated prepayment credits or current-year contributions or direct benefit payments to satisfy the funding requirements contained in the FAR.

2/ 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, 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 costs funded has been rounded to four decimal places.

3/ We computed the funded PRB cost as the CAS funding target multiplied by the percent funded. Negative costs are considered to be 100 percent funded.

4/ The CY allocable PRB cost is the amount of PRB cost that may be allocated for contract cost purposes.

Blue Cross Blue Shield of North Dakota
4510 13th Avenue South • Fargo, ND 58121

November 12, 2021

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

re: HHS OIG Draft Report No. A-07-21-00605

Mr. Cogley:

Per your September 13, 2021 request, Noridian Healthcare Solutions, LLC ("Noridian") provides the following response to Draft Report No. A-07-21-00605 entitled, *Noridian Healthcare Solutions, LLC, Did Not Claim Some Allowable Medicare Postretirement Benefit Costs Through Its Incurred Cost Proposals for Calendar Years 2014 Through 2016*. The findings in Draft Report No. A-07-21-00605 are based on adjusted incurred cost proposals that HHS OIG received from the audit firm used by the Centers for Medicare and Medicaid Services ("CMS") to audit Noridian's incurred cost, and HHS OIG has further adjusted these proposals based on HHS OIG's findings in other reports. HHS recently provided Noridian with copies of the adjusted proposals, however Noridian has not had sufficient time to validate all numbers and therefore Noridian is not in a position to agree or disagree with the finding that the allowable Medicare postretirement benefit costs in the incurred cost reports for calendar years 2014 through 2016 were understated. Noridian generally agrees with the methodology for that finding, as described in Draft Report No. A-07-21-00605.

Noridian will work with CMS to ensure a final settlement of the contract costs to include an appropriate adjustment to Medicare PRB costs for calendar years 2014 through 2016, consistent with the methodology in Draft Report No. A-07-21-00605.

Thank you for the opportunity to comment, please contact me at 701-282-1106 or e-mail me at dave.breuer@bcbsnd.com if you have any questions.

Sincerely,

/David Breuer/

David Breuer
Executive Vice President and Chief Financial Officer
Blue Cross and Blue Shield of North Dakota