

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**CAHABA GOVERNMENT BENEFITS
ADMINISTRATORS, LLC, PROPERLY
UPDATED THE MEDICARE SEGMENT
PENSION ASSETS AND OVERSTATED
MEDICARE'S SHARE OF THE MEDICARE
SEGMENT EXCESS PENSION
LIABILITIES AS OF DECEMBER 31, 2018**

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Office of Inspector General

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Report in Brief

Date: January 2024

Report No. A-07-22-00627

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



Why OIG Did This Audit

Medicare contractors are required to separately account for the Medicare segment pension plan assets based on the requirements of Cost Accounting Standards (CAS) 412 and 413.

Previous OIG audits found that Medicare contractors did not always correctly identify and update the segmented pension assets.

Our objectives were to determine whether Cahaba Government Benefits Administrators, LLC (Cahaba GBA), complied with Federal requirements and its established cost accounting practice when:

(1) implementing the prior audit recommendation to decrease the Medicare segment pension assets as of January 1, 2017, (2) updating the Medicare segment pension assets from January 1, 2017, to December 31, 2018, and (3) determining Medicare's share of the Medicare segment excess pension assets or liabilities as a result of Cahaba GBA's benefit curtailment.

How OIG Did This Audit

We reviewed Cahaba GBA's implementation of the prior audit recommendation; its identification of its Medicare segment; its update of the Medicare segment pension assets from January 1, 2017, to December 31, 2018; and its calculation of Medicare's share of the Medicare segment's excess pension liabilities as of December 31, 2018, as a result of its benefit curtailment.

Cahaba Government Benefits Administrators, LLC, Properly Updated the Medicare Segment Pension Assets and Overstated Medicare's Share of the Medicare Segment Excess Pension Liabilities as of December 31, 2018

What OIG Found

Cahaba GBA implemented our prior audit recommendation to decrease the Medicare segment pension assets by \$2,724 as of January 1, 2017, and correctly updated the Medicare segment pension assets from January 1, 2017, to December 31, 2018. With respect to our third objective, Cahaba GBA calculated \$2.2 million as Medicare's share of the Medicare segment excess pension liabilities as of December 31, 2018; however, we calculated that Medicare's share of the Medicare segment pension liabilities was \$2.1 million as of that date. Therefore, Cahaba GBA overstated Medicare's share of the Medicare segment excess pension liabilities by \$135,979. This overstatement occurred because Cahaba GBA did not calculate the aggregate Medicare percentage in accordance with the CAS.

What OIG Recommends and Auditee Comments

We recommend that Cahaba GBA decrease Medicare's share of the Medicare segment excess pension liabilities as of December 31, 2018, by \$135,979 and recognize \$2.1 million as Medicare's share of the pension liabilities as a result of the benefit curtailment.

Cahaba GBA agreed with our recommendation to decrease Medicare's share of the Medicare segment excess pension liabilities as of December 31, 2018, by \$135,979 and recognize \$2.1 million as Medicare's share of the pension liabilities as a result of the benefit curtailment.

TABLE OF CONTENTS

INTRODUCTION.....	1
Why We Did This Audit.....	1
Objectives.....	1
Background.....	1
Cahaba Government Benefits Administrators, LLC, and Medicare.....	1
Benefit Curtailment.....	2
Prior Pension Segmentation Audit.....	2
How We Conducted This Audit.....	2
FINDING.....	3
Prior Audit Recommendation.....	3
Update of Medicare Segment Pension Assets.....	3
Medicare Segment Curtailment Adjustment.....	4
Medicare Segment Excess Pension Liabilities as of December 31, 2018.....	4
Medicare’s Share of the Medicare Segment Excess Pension Liabilities.....	4
RECOMMENDATION.....	5
AUDITEE COMMENTS.....	5
APPENDICES	
A: Audit Scope and Methodology.....	6
B: Cahaba Government Benefits Administrators, LLC, Statement of Medicare Segment Pension Assets for the Period January 1, 2017, to December 31, 2018.....	8
C: Federal Requirements Related to Medicare Segment Curtailment Adjustment.....	9
D: Calculation of Aggregate Medicare Percentage.....	11
E: Auditee Comments.....	13

INTRODUCTION

WHY WE DID THIS AUDIT

Medicare contractors are required to separately account for the Medicare segment pension plan assets based on the requirements of Cost Accounting Standards (CAS) 412 and 413. The Centers for Medicare & Medicaid Services (CMS) incorporated this requirement into the Medicare contracts beginning with fiscal year 1988. In addition, in situations such as contract terminations or benefit curtailments, CAS 413 requires contractors to identify the difference between Medicare pension assets and liabilities allocated to the Medicare segment. Previous Office of Inspector General audits found that Medicare contractors did not always correctly identify and update the segmented pension assets.

At CMS's request, the Department of Health and Human Services, 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, postretirement benefit, and any other pension-related cost elements claimed by Medicare administrative contractors (MACs) and other CAS-covered and Federal Acquisitions Regulation (FAR)-covered contracts through Incurred Cost Proposals (ICPs).

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 pension assets that Cahaba GBA updated from January 1, 2017, to December 31, 2018, and Medicare's share of the Medicare segment pension liabilities that Cahaba GBA determined as a result of its benefit curtailment.

OBJECTIVES

Our objectives were to determine whether Cahaba GBA complied with Federal requirements and its established cost accounting practice when: (1) implementing the prior audit recommendation to decrease the Medicare segment pension assets as of January 1, 2017, (2) updating the Medicare segment pension assets from January 1, 2017, to December 31, 2018, and (3) determining Medicare's share of the Medicare segment excess pension assets or liabilities as a result of Cahaba GBA's benefit curtailment.

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 J¹ MAC contract under cost reimbursement contracts with

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

CMS until its contractual relationship ended on December 31, 2018, which triggered a curtailment of employee benefits under CAS 413.

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.² On December 31, 2018, Cahaba GBA transferred the participants working on its Benefit Coordination & Recovery Center (BCRC) contract to the Cahaba CSA segment.³ The Cahaba GBA and HBS segments were then closed effective December 31, 2018. This report addresses the Medicare segment pension assets for Cahaba GBA for the period January 1, 2017, to December 31, 2018. We are addressing Cahaba CSA's compliance with Federal requirements in a separate audit.

Benefit Curtailment

Effective December 31, 2018, BCBS Alabama closed the Cahaba GBA segment, which triggered a curtailment of the benefit under CAS 413. This report addresses Cahaba GBA's calculation of Medicare's share of the Medicare segment excess pension liabilities as a result of its benefit curtailment.

Upon the curtailment of its pension plan, Cahaba GBA identified Medicare's share of the Medicare segment excess pension liabilities to be \$2,247,579 as of December 31, 2018.

Prior Pension Segmentation Audit

We performed a prior pension segmentation audit of Cahaba GBA (A-07-19-00570, Nov. 20, 2019), which brought the Cahaba GBA Medicare segment pension assets to January 1, 2017. We recommended that Cahaba GBA decrease the Medicare segment pension assets by \$2,724 and, as a result, recognize \$14,771,220 as the Medicare segment pension assets as of January 1, 2017.

HOW WE CONDUCTED THIS AUDIT

We reviewed Cahaba GBA's implementation of the prior audit recommendation; its identification of its Medicare segment; its update of the Medicare segment pension assets from January 1, 2017, to December 31, 2018; and its calculation of Medicare's share of the Medicare

² Although BCBS Alabama created the HBS segment, we determined that this segment was not a Medicare segment. However, we included the asset variances related to the HBS segment assets as part of Appendix B. Because HBS is not a Medicare segment, we do not opine on the variances noted in the HBS segment pension assets.

³ Cahaba GBA's transfer of these BCRC contract participants to the Cahaba CSA segment was reflected in the "spinoff calculation" that we mention again in Appendices A and B.

segment's excess pension liabilities as of December 31, 2018, as a result of its benefit curtailment.

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.

FINDING

Cahaba GBA implemented our prior audit recommendation to decrease the Medicare segment pension assets by \$2,724 as of January 1, 2017. Regarding our second objective, Cahaba GBA correctly updated the Medicare segment pension assets from January 1, 2017, to December 31, 2018. With respect to our third objective, Cahaba GBA calculated \$2,247,579 as Medicare's share of the Medicare segment excess pension liabilities as of December 31, 2018; however, we calculated that Medicare's share of the Medicare segment pension liabilities was \$2,111,600 as of that date. Therefore, Cahaba GBA overstated Medicare's share of the Medicare segment excess pension liabilities by \$135,979. This overstatement occurred because Cahaba GBA did not calculate the aggregate Medicare percentage in accordance with the CAS.

Appendix B identifies the details of the Cahaba GBA Medicare segment's pension assets from January 1, 2017, to December 31, 2018, as determined during our audit.

PRIOR AUDIT RECOMMENDATION

Cahaba GBA implemented the prior audit recommendation (A-07-19-00570, Nov. 20, 2019), which recommended that Cahaba GBA decrease its Medicare segment pension assets by \$2,724 and, as a result, recognize \$14,771,220 as the Medicare segment pension assets as of January 1, 2017.

UPDATE OF MEDICARE SEGMENT PENSION ASSETS

Cahaba GBA properly updated its Medicare segment pension assets from January 1, 2017, to December 31, 2018. Therefore, the \$9,229,401 in Medicare segment pension assets that Cahaba GBA identified as of December 31, 2018, were reasonable and correct.

MEDICARE SEGMENT CURTAILMENT ADJUSTMENT

Medicare Segment Excess Pension Liabilities as of December 31, 2018

Cahaba GBA correctly calculated the Medicare segment excess pension liabilities as of its benefit curtailment date in accordance with Federal regulations. Federal regulations (Appendix C) require Cahaba GBA to compute a Medicare segment curtailment adjustment as a result of the benefit curtailment. Accordingly, Cahaba GBA identified \$2,247,579 in Medicare segment excess pension liabilities as of December 31, 2018—an amount that we determined was reasonable and correct. (It is necessary to calculate the pension assets and liabilities as well as any adjustments for the Medicare segment before calculating Medicare’s share. Please refer to the table in the next section of this report for details regarding the calculation of Medicare’s share.) We used the development of excess liabilities to identify Medicare’s share of the Medicare segment’s excess pension liabilities, as discussed in the next section.

Medicare’s Share of the Medicare Segment Excess Pension Liabilities

Cahaba GBA calculated the aggregate Medicare percentage (that is, the percentage that reflects Medicare’s share of the Medicare segment excess pension liabilities) as of December 31, 2018, to be 100 percent. We calculated the aggregate Medicare percentage to be 93.95 percent (Appendix D) using the Medicare segment pension costs developed during the prior pension costs claimed audits (A-07-94-00819, Dec. 30, 1994; A-07-04-03048, Feb. 18, 2004; A-07-11-00361, Apr. 7, 2011; A-07-17-00524, Apr. 30, 2018; A-07-17-00525, Apr. 30, 2018; and A-07-19-00575, Nov. 5, 2020) and the current pension costs claimed audit (A-07-23-00634; issued separately) as required by the CAS. For details on the Federal requirements regarding the aggregate Medicare percentage, see Appendix C.

Having calculated the aggregate Medicare percentage as of December 31, 2018, to be 100 percent, Cahaba GBA thus calculated \$2,247,579 as Medicare’s share of the Medicare segment excess pension liabilities as of December 31, 2018. However, we calculated (using the 93.95 percent aggregate Medicare percentage) that Medicare’s share of the Medicare segment pension liabilities was \$2,111,600 as of that date. Therefore, Cahaba GBA overstated Medicare’s share of the Medicare segment excess pension liabilities by \$135,979. This overstatement occurred because Cahaba GBA did not calculate the aggregate Medicare percentage in accordance with the CAS.

The table on the following page shows our calculation of Medicare’s share of the Medicare segment excess pension liabilities.

Table: Medicare’s Share of the Medicare Segment Excess Pension Liabilities

	Excess Medicare Segment Liabilities (A)	Aggregate Medicare Percentage (B)	Excess Liabilities Attributable to Medicare (A x B)
Per Audit	\$2,247,579	93.95%	\$2,111,600
Per Cahaba GBA	2,247,579	100%	2,247,579
Difference			\$135,979

RECOMMENDATION

We recommend that Cahaba Government Benefits Administrators, LLC, decrease Medicare’s share of the Medicare segment excess pension liabilities as of December 31, 2018, by \$135,979 and recognize \$2,111,600 as Medicare’s share of the pension liabilities as a result of the benefit curtailment.

AUDITEE COMMENTS

In written comments on our draft report, Cahaba GBA agreed with our recommendation to decrease Medicare’s share of the Medicare segment excess pension liabilities as of December 31, 2018, by \$135,979 and recognize \$2.1 million as Medicare’s share of the pension liabilities as a result of the benefit curtailment.

Cahaba GBA’s comments appear in their entirety as Appendix E.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

We reviewed Cahaba GBA's implementation of the prior audit recommendation; its identification of its Medicare segment; its update of the Medicare segment pension assets from January 1, 2017, to December 31, 2018; and its calculation of Medicare's share of the Medicare segment's excess pension liabilities as of December 31, 2018, as a result of its benefit curtailment.

Achieving our objective did not require that we review Cahaba GBA's overall internal control structure. We reviewed the internal controls relating to the identification of the Medicare segment and to the update of the Medicare segment pension assets to ensure adherence to CAS 412 and CAS 413.

We performed our audit work at our office 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 the annual actuarial valuation reports prepared by BCBS Alabama's actuarial consulting firms, which included the pension plan's assets, liabilities, normal costs, contributions, benefit payments, investment earnings, and administrative expenses, and used this information to calculate the Medicare segment assets;
- obtained and reviewed the pension plan documents and Department of Labor/Internal Revenue Service Forms 5500 used in calculating the Medicare segment assets;
- interviewed BCBS Alabama and Cahaba GBA staff responsible for identifying the Medicare segment to determine whether the segment was properly identified in accordance with Cahaba GBA's established cost accounting practice;
- reviewed Cahaba GBA's accounting records to verify the Medicare segment identification as well as the benefit payments made from that segment;
- reviewed the prior segmentation audit performed of Cahaba GBA (A-07-19-00570, Nov. 20, 2019), to determine the beginning market value of assets;
- reviewed the Cahaba GBA benefit curtailment adjustment prepared by Cahaba GBA's staff and its actuarial consulting firm;

- reviewed Cahaba GBA’s spinoff calculation for the BCRC contract participants, which was prepared by Cahaba GBA’s staff and its actuarial consulting firm;
- provided the CMS Office of the Actuary, which provides technical actuarial advice, with the actuarial information necessary for it to calculate the Medicare segment pension assets from January 1, 2017, to December 31, 2018;
- reviewed the CMS actuaries’ methodology and calculations; and
- provided the results of our audit to Cahaba GBA officials on September 14, 2023.

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

- *Cahaba Safeguard Administrators, LLC, Overstated Its Medicare Segment Pension Assets as of January 1, 2020 (A-07-23-00631)*; and
- *Cahaba Government Benefits Administrators, LLC, Did Not Claim Some Allowable Medicare Pension Costs Through Its Incurred Cost Proposals (A-07-23-00634)*.

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: CAHABA GOVERNMENT BENEFITS ADMINISTRATORS, LLC,
STATEMENT OF MEDICARE SEGMENT PENSION ASSETS
FOR THE PERIOD JANUARY 1, 2017, TO DECEMBER 31, 2018**

Description		Total Company	Other Segments	Cahaba GBA Medicare Segment	Cahaba CSA Medicare Segment	HBS Segment
Assets January 1, 2017	<u>1/</u>	\$634,080,231	\$606,295,734	\$14,771,221	\$4,972,116	\$8,041,160
Prepayment Credits	<u>2/</u>	0	(3,507,341)	2,570,840	452,033	484,468
Contributions		0	0	0	0	0
Earnings	<u>3/</u>	89,335,777	85,010,698	2,430,660	803,050	1,091,369
Benefit Payments	<u>4/</u>	(73,224,535)	(68,492,175)	(2,172,139)	(106,875)	(2,453,346)
Administrative Expenses	<u>5/</u>	(1,834,507)	(1,745,691)	(49,914)	(16,491)	(22,411)
Transfers	<u>6/</u>	0	1,668,931	(536,659)	(386,843)	(745,429)
Assets January 1, 2018		\$648,356,966	\$619,230,156	\$17,014,009	\$5,716,990	\$6,395,811
Prepayment Credits		0	(3,095,674)	1,952,261	394,283	749,130
Contributions	<u>7/</u>	40,000,000	40,000,000	0	0	0
Earnings		(24,703,811)	(23,440,454)	(756,399)	(224,254)	(282,704)
Benefit Payments		(75,265,297)	(73,397,616)	(466,232)	(1,114,600)	(286,849)
Administrative Expenses		(2,278,353)	(2,161,838)	(69,760)	(20,682)	(26,073)
Transfers		0	5,617,908	(2,347,358)	(470,803)	(2,799,747)
BCRC Spinoff	<u>8/</u>	0	0	(6,097,120)	6,097,120	0
Assets December 31, 2018		\$586,109,505	\$562,752,482	\$9,229,401	\$10,378,054	\$3,749,568
Per Cahaba GBA	<u>9/</u>	\$586,109,505	\$562,646,339	\$9,229,401	\$10,492,910	\$3,740,855
Asset Variance	<u>10/</u>	\$0	\$106,143	\$0	(\$114,856)	\$8,713

ENDNOTES

- 1/ We determined the Medicare segment pension assets as of January 1, 2017, based on our prior segmentation audit of Cahaba GBA (A-07-19-00570; Nov. 20, 2019). The amounts shown for the Other segment represent the Total Company minus the HBS segment and the Medicare segments. All pension assets are shown at market value.
- 2/ Transferred 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 net investment earnings from the actuarial valuation reports. We allocated net investment earnings based on the ratio of each segment's weighted average value (WAV) of assets to Total Company WAV of assets as required by the CAS.
- 4/ We based the Medicare segments' benefit payments on actual payments to Medicare retirees. We obtained the benefit payments from documents provided by Cahaba GBA.
- 5/ In accordance with the CAS, we allocated administrative expenses to each Medicare segment in proportion to investment earnings.
- 6/ We identified participant transfers between segments by comparing valuation data files provided by Cahaba GBA. Asset transfers were equal to the actuarial liability determined under the accrued benefit cost method in accordance with the CAS.
- 7/ 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.
- 8/ The BCRC participants were spun off from the Cahaba GBA segment and transferred into the Cahaba CSA segment.
- 9/ We obtained segment asset amounts from documents prepared by Cahaba GBA's actuarial consulting firm.
- 10/ The asset variance represents the difference between our calculation and Cahaba GBA's calculation of the Cahaba GBA Medicare segment, Cahaba CSA Medicare segment, and HBS segment pension assets. We discuss Cahaba CSA's Medicare segment asset variance in a separate report (A-07-23-00631). The HBS segment is not a Medicare segment; therefore, we do not opine on the variances noted in that segment's pension assets.

APPENDIX C: FEDERAL REQUIREMENTS RELATED TO MEDICARE SEGMENT CURTAILMENT ADJUSTMENT

Federal regulations (CAS 412.50(a)(2)) state, in part:

- i. Except as provided in 9904.412-50(d)(2), any portion of unfunded actuarial liability attributable to either pension costs applicable to prior years that were specifically unallowable in accordance with then existing Government contractual provisions or pension costs assigned to a cost accounting period that were not funded in that period, shall be separately identified and eliminated from any unfunded actuarial liability being amortized pursuant to paragraph (a)(1) of this sub section.
- ii. Such portions of unfunded actuarial liability shall be adjusted for interest based on the interest assumption established in accordance with 9904.412-50(b)(4) without regard to 9904.412-50(b)(7). . . .

Federal regulations (CAS 413.50(c)(12)) state, in part:

If a segment is closed, if there is a pension plan termination, or if there is a curtailment of benefits, the contractor shall determine the difference between the actuarial accrued liability for the segment and the market value of the assets allocated to the segment, irrespective of whether or not the pension plan is terminated. The difference between the market value of the assets and the actuarial accrued liability for the segment represents an adjustment of previously-determined pension costs.

- i. The determination of the actuarial accrued liability shall be made using the accrued benefit cost method. The actuarial assumptions employed shall be consistent with the current and prior long term assumptions used in the measurement of pension costs. . . .
- ii. . . . The market value of the assets shall be reduced by the accumulated value of prepayment credits, if any. Conversely, the market value of assets shall be increased by the current value of any unfunded actuarial liability separately identified and maintained in accordance with 9904.412-50(a)(2).
- iii. The calculation of the difference between the market value of the assets and actuarial liability shall be made as of the date of the event (e.g, contract termination, plan amendment, plant closure) that caused the closing of the segment, pension plan termination, or curtailment of benefits. If such a date is not readily determinable, or if

its use can result in an inequitable calculation, the contracting parties shall agree on an appropriate date.

- iv. Pension plan improvements adopted within 60 months of the date of the event which increase the actuarial accrued liability shall be recognized on a prorata basis using the number of months the date of adoption preceded the event date. Plan improvements mandated by law or collective bargaining agreement are not subject to this phase-in.

The methodology for determining the Federal Government's share of excess pension assets and liabilities is addressed by CAS 413.50(c)(12)(vi), which states:

The Government's share of the adjustment amount determined for a segment shall be the product of the adjustment amount and a fraction. The adjustment amount shall be reduced for any excise tax imposed upon assets withdrawn from the funding agency of a qualified pension plan. The numerator of such fraction shall be the *sum of the pension plan costs* allocated to all contracts and subcontracts (including Foreign Military Sales) subject to this Standard during a period of years representative of the Government's participation in the pension plan. The denominator of such fraction shall be the *total pension costs* assigned to cost accounting periods during those same years. This amount shall represent an adjustment of contract prices or cost allowance as appropriate. The adjustment may be recognized by modifying a single contract, several but not all contracts, or all contracts, or by use of any other suitable technique. [Emphasis added.]

APPENDIX D: CALCULATION OF AGGREGATE MEDICARE PERCENTAGE

Calendar Year	Allowable Medicare Segment Pension Costs from Final Administrative Cost Proposals	Allowable Medicare Segment Pension Costs from ICPs	Total Allocable Medicare Segment Pension Costs	Medicare Aggregate Percentage
1/	(A) 2/	(B) 3/	(C) 4/	((A+B)/C) 5/
1986	\$74,040	\$0	\$75,985	
1987	138,747	0	146,389	
1988	0	0	0	
1989	(323,378)	0	(350,393)	
1990	172,636	0	209,332	
1991	224,948	0	282,882	
1992	450,475	0	569,069	
1993	684,973	0	818,269	
1994	634,834	0	779,100	
1995	701,748	0	838,284	
1996	882,256	0	1,030,380	
1997	860,848	0	963,532	
1998	1,106,591	0	1,185,169	
1999	1,936,928	0	2,019,334	
2000	2,638,059	0	2,771,577	
2001	3,603,327	0	3,695,531	
2002	4,369,471	0	4,502,868	
2003	4,866,043	0	5,065,629	
2004	5,079,280	0	5,240,693	
2005	5,280,786	0	5,437,943	
2006	4,995,784	0	5,494,099	
2007	4,236,573	0	4,851,778	
2008	4,575,645	443,161	5,018,806	
2009	4,214,814	1,851,412	6,066,226	
2010	795,664	4,414,970	5,210,634	
2011	381,592	4,831,403	5,212,995	
2012	149,010	4,859,716	5,008,726	
2013	0	2,517,212	4,979,170	
2014	0	4,413,968	4,420,339	
2015	0	3,275,353	3,277,133	
2016	0	2,637,526	2,729,422	
2017	0	2,570,840	2,570,840	
2018	0	1,952,261	1,952,261	
Total	\$52,731,694	\$33,767,822	\$92,074,002	93.95%

ENDNOTES

- 1/ We based the aggregate percentage on the audited pension costs developed during the previous pension costs claimed audits (A-07-94-00819, Dec. 30, 1994; A-07-04-03048, Feb. 18, 2004; A-07-11-00361, Apr. 7, 2011; A-07-17-00524, Apr. 30, 2018; A-07-17-00525, Apr. 30, 2018; and A-07-19-00575, Nov. 5, 2020) and the current pension costs claimed audit (A-07-23-00634, issued separately) as required by the CAS.
- 2/ This column identifies the allowable Medicare segment pension costs that related to the Legacy Medicare contract.
- 3/ This column identifies the allowable MAC contracts. In some instances, we limited the allowable pension costs from the ICP to equal 100 percent of the allocable pension costs. This was necessary because when using the actual allowable pension costs claimed from the ICPs, the line of business percentage exceeded 100 percent.
- 4/ This column identifies the total allocable Medicare segment pension costs during the contract period.
- 5/ In accordance with 9904.413-50(c)(12)(vi), we calculated the aggregate Medicare percentage by dividing the total of the Medicare segment's pension costs charged to Medicare (i.e., the combined amounts from the two columns to the right of the "Calendar Year" column) by the total allocable Medicare segment pension costs pursuant to CAS 413.

APPENDIX E: AUDITEE COMMENTS



October 30, 2023

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

RE: Report Number A-07-22-00627 Cahaba Government Benefit Administrators, LLC, Overstated Its Medicare Segment Pension Assets as of December 31, 2018.

Dear Mr. Korn,

This letter 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 decrease Medicare's share of the Medicare segment excess pension liabilities as of December 31, 2018, by \$135,979 and recognize \$2.1 million as Medicare's share of the pension liabilities as a result of the benefit curtailment.

If you should have questions regarding this letter, please feel free to contact Bobby Frye, Unit Manager of Subsidiary Accounting, at (205)-220-1433 or via e-mail at robert.frye@bcbsal.org.

Sincerely,

/Randy Heal/
Randy Heal