Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

CAHABA SAFEGUARD ADMINISTRATORS, LLC, CLAIMED SOME UNALLOWABLE 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

January 2024
A-07-23-00635

Office of Inspector General

https://oig.hhs.gov

The mission of the Office of Inspector General (OIG) is to provide objective oversight to promote the economy, efficiency, effectiveness, and integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of the people they serve. Established by Public Law No. 95-452, as amended, OIG carries out its mission through audits, investigations, and evaluations conducted by the following operating components:

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. The audits examine the performance of HHS programs, funding recipients, and contractors in carrying out their respective responsibilities and provide independent assessments of HHS programs and operations to reduce waste, abuse, and mismanagement.

Office of Evaluation and Inspections. OEI's national evaluations provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. To promote impact, OEI reports also provide practical recommendations for improving program operations.

Office of Investigations. OI's criminal, civil, and administrative investigations of fraud and misconduct related to HHS programs and operations often lead to criminal convictions, administrative sanctions, and civil monetary penalties. OI's nationwide network of investigators collaborates with the Department of Justice and other Federal, State, and local law enforcement authorities. OI works with public health entities to minimize adverse patient impacts following enforcement operations. OI also provides security and protection for the Secretary and other senior HHS officials.

Office of Counsel to the Inspector General. OCIG provides legal advice to OIG on HHS programs and OIG's internal operations. The law office also imposes exclusions and civil monetary penalties, monitors Corporate Integrity Agreements, and represents HHS's interests in False Claims Act cases. In addition, OCIG publishes advisory opinions, compliance program guidance documents, fraud alerts, and other resources regarding compliance considerations, the anti-kickback statute, and other OIG enforcement authorities.

Notices

THIS REPORT IS AVAILABLE TO THE PUBLIC

at https://oig.hhs.gov

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

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.

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 plan.

The HHS, OIG, 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 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) 2017 through 2019 qualified defined-benefit plan pension costs (herein referred to as "pension costs") that Cahaba Safeguard Administrators, LLC (Cahaba CSA), claimed for Medicare reimbursement, and reported on its ICPs, were allowable and correctly claimed.

How OIG Did This Audit

We reviewed $1.5 million of Medicare pension costs that Cahaba CSA claimed for Medicare reimbursement on its ICPs for CYs 2017 through 2019.

Cahaba Safeguard Administrators, LLC, Claimed Some Unallowable Medicare Pension Costs Through Its Incurred Cost Proposals

What OIG Found

Cahaba CSA claimed pension costs of $1.5 million for Medicare reimbursement, through its ICPs, for CYs 2017 through 2019; however, we determined that the allowable Cost Accounting Standards-based pension costs during this period were $1.4 million. The difference, $146,658, represented unallowable Medicare pension costs that Cahaba CSA claimed on its ICPs for CYs 2017 through 2019. Cahaba CSA claimed these unallowable Medicare pension costs primarily because it based its claim for Medicare reimbursement on incorrect pension costs included in the indirect cost rates on the ICPs.

What OIG Recommends and Auditee Comments

We recommend that Cahaba CSA work with CMS to ensure that its final settlement of contract costs reflects a decrease in Medicare pension costs of $146,658 for CYs 2017 through 2019.

Cahaba CSA agreed with our recommendation to work with CMS to ensure that its final settlement of contract costs reflects a decrease in the Medicare pension costs of $146,658 for CYs 2017 through 2019.

TABLE OF CONTENTS

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 cost reimbursement principles contained in the Federal Acquisition Regulation (FAR), Cost Accounting Standards (CAS), and 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 Department of Health and Human Services, 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 administrative contractors (MACs) and CAS- and FAR-covered contracts through Incurred Cost Proposals (ICPs).

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

OBJECTIVE

Our objective was to determine whether the calendar years (CYs) 2017 through 2019 qualified defined-benefit plan pension costs (herein referred to as "pension costs") that Cahaba CSA claimed for Medicare reimbursement, and reported on its ICPs, were allowable and correctly claimed.

BACKGROUND

Cahaba Safeguard Administrators, LLC, and Medicare

During our audit period, Cahaba CSA was a subsidiary of Blue Cross and Blue Shield of Alabama (BCBS Alabama), whose home office is in Birmingham, Alabama. The Cahaba CSA Medicare segment administered program safeguard functions under a contract with CMS until its contract terminated on September 30, 2017. Cahaba CSA continued to perform Medicare work through a wage index contract with CMS.

BCBS Alabama has two Medicare segments that participate in its qualified defined-benefit pension plan: (1) Cahaba Government Benefits Administrators, LLC (Cahaba GBA), and (2) 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.[1] On December 31, 2018, Cahaba GBA transferred the participants working on its Benefit Coordination & Recovery Center contract to the Cahaba CSA segment. The Cahaba GBA and HBS segments were then closed effective December 31, 2018.

This report addresses the allowable pension costs claimed by Cahaba CSA under the provisions of its MAC contracts and CAS- and FAR-covered contracts. We are addressing Cahaba GBA's compliance with the MAC contracts in separate audits.

The disclosure statement that Cahaba CSA submits to CMS states that Cahaba CSA 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. The indirect cost rates are used to calculate contract costs reported on the ICPs. In turn, CMS uses these indirect cost rates in determining the final indirect cost rates for each contract.[2]

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, CohnReznick, LLC (CohnReznick), performed audits of the ICPs that Cahaba CSA submitted for the periods of CYs 2017 through 2019. The objectives of the CohnReznick ICP audits were to determine 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 CohnReznick ICP audit findings and recommendations when computing the allowable pension costs discussed in this report.

We incorporated the results of the CohnReznick ICP audits into our computations of the audited indirect cost rates, and ultimately the pension costs claimed, for the contracts subject

---

[1] Although BCBS Alabama created the HBS segment, we determined that this segment was not a Medicare segment. Because HBS is not a Medicare segment, we do not opine on its costs.

[2] 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.

to the FAR. CMS will use our report on allowable pension costs, as well as the CohnReznick ICP audit reports, to determine the final indirect cost rates and the total allowable contract costs for Cahaba CSA for CYs 2017 through 2019. 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.[3]

HOW WE CONDUCTED THIS AUDIT

We reviewed $1,535,310 of Medicare pension costs that Cahaba CSA claimed for Medicare reimbursement on its ICPs for CYs 2017 through 2019.

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 CSA claimed pension costs of $1,535,310 for Medicare reimbursement, through its ICPs, for CYs 2017 through 2019; however, we determined that the allowable CAS-based pension costs during this period were $1,388,652. The difference, $146,658, represented unallowable Medicare pension costs that Cahaba CSA claimed on its ICPs for CYs 2017 through 2019. Cahaba CSA claimed these unallowable Medicare pension costs primarily because it based its claim for Medicare reimbursement on incorrect pension costs included in the indirect cost rates on the ICPs. More specifically, Cahaba CSA used an incorrect allocable pension cost when calculating the indirect cost rates.

ALLOCABLE MEDICARE SEGMENT PENSION COSTS UNDERSTATED

During this audit, we calculated the allocable pension costs for CYs 2017 through 2019 in accordance with Federal requirements. We determined that the allocable pension costs for CYs 2017 through 2019 totaled $1,535,993. Cahaba CSA reported that its allocable pension costs for this period, as identified in its actuarial computations, totaled $708,000. Therefore, Cahaba CSA understated the allocable pension costs by $827,993. This understatement occurred because Cahaba CSA based its claim for Medicare reimbursement on an incorrectly calculated

---

[3] 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 pension cost. More specifically, Cahaba CSA claimed an estimated pension cost for its Medicare segment rather that its actuarially determined Medicare segment pension cost.

Table 1 shows the differences between the allocable CAS-based pension costs that we determined for CYs 2017 through 2019 and the Medicare segment allocable pension costs that Cahaba CSA calculated for the same period.

Table 1: Medicare Segment Allocable Pension Costs

CY	Allocable Per Audit	Per Cahaba CSA	Difference
2017	$452,033	$315,000	$137,033
2018	394,283	300,000	94,283
2019	689,677	93,000	596,677
Total	**$1,535,993**	**$708,000**	**$827,993**

ALLOCABLE OTHER SEGMENT PENSION COSTS UNDERSTATED

During the current audit, we calculated the allocable Other segment pension costs for CYs 2017 through 2019 in accordance with Federal requirements. We determined that the allocable Other segment pension costs for CYs 2017 through 2019 totaled $125,543,482. Cahaba CSA reported that its Other segment allocable pension costs, as identified in its actuarial computations, totaled $125,413,000. Therefore, Cahaba CSA understated the allocable Other segment pension costs by $130,482. This understatement occurred because Cahaba CSA based its claim for Medicare reimbursement on an incorrectly calculated allocable pension cost. More specifically, Cahaba CSA claimed an estimated pension cost for its Medicare segment rather that its actuarially determined Medicare segment pension cost.

Table 2 shows the differences between the allocable Other segment CAS-based pension costs that we determined for CYs 2017 through 2019 and the Other segment allocable pension costs that Cahaba CSA calculated for the same time period.

Table 2: Other Segment Allocable Pension Costs

CY	Allocable Per Audit	Per Cahaba CSA	Difference
2017	$37,423,528	$41,076,000	($3,652,472)
2018	45,360,871	45,100,000	260,871
2019	42,759,083	39,237,000	3,522,083
Total	**$125,543,482**	**$125,413,000**	**$130,482**

We used these allocable Medicare and Other segments' pension costs to determine the allowable pension costs for Medicare reimbursement. Specifically, we determined the CYs 2017 through 2019 allocable pension costs for the Medicare and Other segments (Appendix C).

CALCULATION OF UNALLOWABLE PENSION COSTS CLAIMED

We used the Medicare 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 2017 through 2019.

Cahaba CSA claimed Medicare pension costs of $1,535,310 on its ICPs for CY 2017 through 2019. After incorporating the results of the CohnReznick ICP audits and our adjustments to the indirect cost rates, we determined that the allowable CAS-based pension costs for CYs 2017 through 2019 were $1,388,652. Thus, Cahaba CSA claimed $146,658 of unallowable Medicare pension costs on its ICPs for CYs 2017 through 2019. This overclaim occurred primarily because Cahaba CSA 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. For details on the Federal requirements, see Appendix B.

Table 3 compares the Medicare pension costs that we calculated (using our adjusted indirect cost rates) to the pension costs that Cahaba CSA claimed for Medicare reimbursement for CYs 2017 through 2019.

Table 3: Comparison of Allowable Pension Costs and Claimed Pension Costs[4]

CY	Allowable Per Audit	Per Cahaba CSA	Difference
2017	$248,995	$320,885	($71,890)
2018	408,310	313,939	94,371
2019	731,347	900,486	(169,139)
Total	**$1,388,652**	**$1,535,310**	**($146,658)**

RECOMMENDATION

We recommend that Cahaba Safeguard Administrators, LLC, work with CMS to ensure that its final settlement of contract costs reflects a decrease in Medicare pension costs of $146,658 for CYs 2017 through 2019.

---

[4] Our calculations of allowable costs do not appear in this report because those indirect cost rate computations that Cahaba CSA used in its ICPs, and to which we referred as part of our audit, are proprietary information.

AUDITEE COMMENTS

In written comments on our draft report, Cahaba CSA agreed with our recommendation to work with CMS to ensure that its final settlement of contract costs reflects a decrease in the Medicare pension costs of $146,658 for CYs 2017 through 2019.

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

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

We reviewed $1,535,310 of Medicare pension costs that Cahaba CSA claimed for Medicare reimbursement on its ICPs for CYs 2017 through 2019.

Achieving our objective did not require that we review Cahaba CSA's overall internal control structure. We reviewed the internal controls related to the pension costs that were included in Cahaba CSA'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 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 information provided by Cahaba CSA to identify the amounts of pension costs used in Cahaba CSA's calculation of indirect cost rates for CYs 2017 through 2019;

- used information that Cahaba CSA's actuarial consulting firm provided, including information on the pension plans' assets, liabilities, normal costs, contributions, benefit payments, investment earnings, and administrative expenses;

- reviewed the results of the CohnReznick 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 CSA officials on September 14, 2023.

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

- *Cahaba Government Benefits Administrators, LLC, Did Not Claim Some Allowable Medicare Pension Costs Through Its Incurred Cost Proposals* (A-07-23-00634);

- *Cahaba Government Benefits Administrators, LLC, Claimed Some Unallowable Medicare Postretirement Benefit Plan Costs Through Its Incurred Cost Proposals* (A-07-23-00636); and

- *Cahaba Safeguard Administrators, LLC, Claimed Some Unallowable Medicare Postretirement Benefit Plan Costs Through Its Incurred Cost Proposals* (A-07-23-00637).

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: 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 CSA 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 SAFEGUARD ADMINISTRATORS, LLC, FOR CALENDAR YEARS 2017 THROUGH 2019

Date	Description		Total Company	Other Segment	Cahaba GBA	Cahaba CSA	HBS Segment
2017	Contributions	1/	$0	$0	$0	$0	$0
	Discount for Interest	2/	$0	$0	$0	$0	$0
January 1, 2017	Present Value Contributions	3/	$0	$0	$0	$0	$0
	Prepayment Credit Applied	4/	$40,930,869	$37,423,528	$2,570,840	$452,033	$484,468
	Present Value of Funding	5/	$40,930,869	$37,423,528	$2,570,840	$452,033	$484,468
January 1, 2017	CAS Funding Target	6/	$40,930,869	$37,423,528	$2,570,840	$452,033	$484,468
	Percentage Funded	7/		100.00%	100.00%	100.00%	100.00%
	Funded Pension Cost	8/		$37,423,528	$2,570,840	$452,033	$484,468
	Allowable Interest	9/		$0	$0	$0	$0
2017	CY Allocable Pension Cost	10/		$37,423,528	$2,570,840	$452,033	$484,468

Date	Description	Total Company	Other Segment	Cahaba GBA	Cahaba CSA	HBS Segment
2018	Contributions	$40,000,000	$40,000,000	$0	$0	$0
	Discount for Interest	($2,547,504)	($2,547,504)	$0	$0	$0
January 1, 2018	Present Value Contributions	$37,452,496	$37,452,496	$0	$0	$0
	Prepayment Credit Applied	$48,456,545	$45,360,871	$1,952,261	$394,283	$749,130
	Present Value of Funding	$85,909,041	$82,813,367	$1,952,261	$394,283	$749,130
January 1, 2018	CAS Funding Target	$48,456,545	$45,360,871	$1,952,261	$394,283	$749,130
	Percentage Funded		100.00%	100.00%	100.00%	100.00%
	Funded Pension Cost		$45,360,871	$1,952,261	$394,283	$749,130
	Allowable Interest		$0	$0	$0	$0
2018	CY Allocable Pension Cost		$45,360,871	$1,952,261	$394,283	$749,130

Date	Description	Total Company	Other Segment	Cahaba GBA	Cahaba CSA	HBS Segment
2019	Contributions	$30,000,000	$30,000,000	$0	$0	$0
	Discount for Interest	($1,376,272)	($1,376,272)	$0	$0	$0
January 1, 2019	Present Value Contributions	$28,623,728	$28,623,728	$0	$0	$0
	Prepayment Credit Applied	$43,448,760	$42,759,083	$0	$689,677	$0
	Present Value of Funding	$72,072,488	$71,382,811	$0	$689,677	$0
January 1, 2019	CAS Funding Target	$43,448,760	$42,759,083	$0	$689,677	$0
	Percentage Funded		100.00%	0.00%	100.00%	0.00%
	Funded Pension Cost		$42,759,083	$0	$689,677	$0
	Allowable Interest		$0	$0	$0	$0
2019	CY Allocable Pension Cost		$42,759,083	$0	$689,677	$0

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-07-23-00631).

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.

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.

October 30, 2023

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

RE: Report Number A-07-23-00635 Cahaba Safeguard Administrators, LLC Claimed Some Unallowable Medicare Pension Costs Through Its Incurred Cost Proposals

Dear Mr. Korn,

This report is in response to the draft report issued to Cahaba Safeguard Administrators, LLC (CSA) for the above mentioned audit. We agree with the recommendation to work with CMS to ensure its final settlement of contract costs reflects a decrease in the Medicare pension costs of $146,658 for the calendar years 2017 through 2019.

If you should have questions regarding this report, please contact Jon-Michael Ogletree, CFO, at (205)-820-6012 or via e-mail at jogletree@csallc.com.

Sincerely,

/Jon Michael Ogletree/
Jon Michael Ogletree
Chief Financial Officer
Cahaba Safeguard Administrators, LLC

CC: Randy Heal, President, Cahaba Safeguard Administrators, LLC
Jon Michael Ogletree, Chief Financial Officer, Cahaba Safeguard Administrators, LLC
Monique Houser, Compliance Officer, Cahaba Safeguard Administrators, LLC