



June 20, 2011

Report Number: A-07-10-00344

Ms. Sandra Miller
Senior Vice President and President, Federal Government Solutions
National Government Services, Inc.
8115 Knue Road
Indianapolis, IN 46250

Dear Ms. Miller:

Enclosed is the U.S. Department of Health & Human Services (HHS), Office of Inspector General (OIG), final report entitled *Review of the Pension Segmentation Requirements at Blue Cross Blue Shield of Georgia for the Period January 1, 2001, to June 30, 2006*. We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to this official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at (816) 426-3591, or contact Jenenne Tambke, Audit Manager, at (573) 893-8338, extension 21, or through email at Jenenne.Tambke@oig.hhs.gov. Please refer to report number A-07-10-00344 in all correspondence.

Sincerely,

/Patrick J. Cogley/
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

Ms. Deborah Taylor
Acting Director & Chief Financial Officer
Office of Financial Management
Centers for Medicare & Medicaid Services
Mail Stop C3-01-24
7500 Security Boulevard
Baltimore, MD 21244-1850

Department of Health & Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF THE PENSION
SEGMENTATION REQUIREMENTS AT
BLUE CROSS BLUE SHIELD OF GEORGIA
FOR THE PERIOD
JANUARY 1, 2001, TO JUNE 30, 2006**



Daniel R. Levinson
Inspector General

June 2011
A-07-10-00344

Office of Inspector General

<http://oig.hhs.gov>

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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.

EXECUTIVE SUMMARY

BACKGROUND

Blue Cross Blue Shield of Georgia (BCBSGA) administers Medicare Part A operations under cost reimbursement contracts with the Centers for Medicare & Medicaid Services (CMS). BCBSGA merged with WellPoint Health Network, Inc. (WHN), and, effective May 31, 2001, BCBSGA's pension plan assets from the Non-Contributory Retirement Program were merged into WHN's Pension Accumulation Plan. In turn, WHN became a part of Anthem, Inc. (Anthem), on November 30, 2004, and at that time Anthem changed its name to WellPoint, Inc. (WellPoint). On June 30, 2006, the Pension Accumulation Plan assets were merged into WellPoint's Cash Balance pension plan.

Since its inception, Medicare has paid a portion of contractors' contributions to their pension plans. These contributions are allowable Medicare costs subject to the criteria set forth in the Federal Acquisition Regulation, Cost Accounting Standards (CAS), and Medicare contracts.

Pension Segmentation

Beginning with fiscal year 1988, CMS incorporated segmentation requirements into the Medicare contracts. The Medicare contracts define a segment and specify the methodology for the identification and initial allocation of pension assets to the segment. Accordingly, the contracts require Medicare segment assets to be updated for each year after the initial allocation in accordance with CAS 412 and 413.

Prior Pension Audit Report

We performed a prior pension audit at BCBSGA (A-07-07-00236, issued November 16, 2007) which brought the Medicare segment pension assets to May 31, 2001. The prior audit recommended that BCBSGA increase the Medicare segment pension assets by \$85,564 and recognize \$4,658,857 as the Medicare segment pension assets as of May 31, 2001.

OBJECTIVE

Our objective was to determine whether BCBSGA complied with Federal requirements and the Medicare contracts' pension segmentation requirements when:

- implementing the prior audit recommendation and
- updating the Medicare segment's pension assets from January 1, 2001, to June 30, 2006.

SUMMARY OF FINDINGS

BCBSGA properly implemented the prior audit recommendation; however, BCBSGA did not always comply with Federal requirements and the Medicare contracts' pension segmentation requirements while updating the Medicare segment pension assets from January 1, 2001, to

June 30, 2006. BCBSGA identified Medicare segment pension assets of \$2,987,361; however, we determined that the Medicare segment pension assets were \$2,823,263 as of June 30, 2006. As a result, BCBSGA overstated the Medicare segment pension assets by \$164,098.

RECOMMENDATION

We recommend that BCBSGA decrease its Medicare segment pension assets as of June 30, 2006, by \$164,098 and recognize \$2,823,263 as the Medicare segment pension assets.

AUDITEE COMMENTS

In written comments on our draft report, National Government Services (NGS) concurred with our finding and recommendation. BCBSGA's Medicare contract was transitioned to NGS effective November 11, 2006; therefore, NGS responded to our draft report.

While concurring with our finding and recommendation, NGS also suggested a revision to one portion of the background material in the report.

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

OFFICE OF INSPECTOR GENERAL RESPONSE

After reviewing NGS's written comments, we determined that the suggested revision does not enhance the clarity or accuracy of this report. Therefore, we did not incorporate NGS's suggested revision into this report.

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Glossary of Abbreviations and Acronyms

BCBSGA	Blue Cross Blue Shield of Georgia
CAS	Cost Accounting Standards
CMS	Centers for Medicare & Medicaid Services
FAR	Federal Acquisition Regulation
WAV	weighted average value

INTRODUCTION

BACKGROUND

Blue Cross Blue Shield of Georgia and Medicare

Blue Cross Blue Shield of Georgia (BCBSGA) administers Medicare Part A operations under cost reimbursement contracts with the Centers for Medicare & Medicaid Services (CMS). BCBSGA merged with WellPoint Health Network, Inc. (WHN), and, effective May 31, 2001, BCBSGA's pension plan assets from the Non-Contributory Retirement Program were merged into WHN's Pension Accumulation Plan. In turn, WHN became a part of Anthem, Inc. (Anthem), on November 30, 2004, and at that time Anthem changed its name to WellPoint, Inc. (WellPoint). On June 30, 2006, the Pension Accumulation Plan assets were merged into WellPoint's Cash Balance pension plan.

Effective November 11, 2006, a consolidation of certain Medicare operations occurred, forming a new subsidiary of WellPoint called National Government Services (NGS). This consolidation included the BCBSGA Medicare segment, which was maintained separately from other Medicare operations. Thus, although we are addressing this report to NGS, we will associate the term BCBSGA with our finding and recommendation regarding the segmentation of the Pension Accumulation Plan for the period January 1, 2001, to June 30, 2006.

Since its inception, Medicare has paid a portion of contractors' contributions to their pension plans. These contributions are allowable Medicare costs subject to the criteria set forth in the Federal Acquisition Regulation (FAR), Cost Accounting Standards (CAS), and Medicare contracts.

Federal Requirements

CAS 412 addresses the determination and measurement of pension cost components. It also addresses the assignment of pension costs to appropriate accounting periods.

CAS 413 addresses 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.

Pension Segmentation

Beginning with fiscal year 1988, CMS incorporated segmentation requirements into the Medicare contracts. The Medicare contracts define a segment and specify the methodology for the identification and initial allocation of pension assets to the segment. Additionally, the contracts require Medicare segment assets to be updated for each year after the initial allocation in accordance with CAS 412 and 413. In claiming costs, contractors must follow cost reimbursement principles contained in the FAR, CAS, and the Medicare contracts.

Prior Pension Audit Report

We performed a prior pension audit at BCBSGA (A-07-07-00236, issued November 16, 2007) which brought the Medicare segment pension assets to May 31, 2001. The prior audit recommended that BCBSGA increase the Medicare segment pension assets by \$85,564 and recognize \$4,658,857 as the Medicare segment pension assets as of May 31, 2001.

Although our prior audit recommended an asset adjustment as of May 31, 2001, the Total Company assets used in the prior report did not account for accrued contributions allocated to plan year 2001. During the current audit, we adjusted the Total Company assets to properly account for all accrued contributions that were allocated to plan year 2001. Appendix A identifies the adjusted Medicare segment pension assets from January 1, 2001, through December 31, 2001, as well as details on the Medicare segment's pension assets from that point to June 30, 2006, as determined during our audit.

OBJECTIVE, SCOPE AND METHODOLOGY

Objective

Our objective was to determine whether BCBSGA complied with Federal requirements and the Medicare contracts' pension segmentation requirements when:

- implementing the prior audit recommendation and
- updating the Medicare segment's pension assets from January 1, 2001, to June 30, 2006.

Scope

We reviewed BCBSGA's identification of its Medicare segment and its update of Medicare segment pension assets from January 1, 2001, to June 30, 2006.

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

We performed fieldwork at BCBSGA's office in Atlanta, Georgia, during September 2009.

Methodology

To accomplish our objective, we did the following:

- We reviewed the applicable portions of the FAR, CAS, and the Medicare contracts.

- We reviewed the annual actuarial valuation reports prepared by BCBSGA's actuarial consulting firms, which included the pension plan's assets, liabilities, normal costs, contributions, benefit payments, investment earnings, and administrative expenses. We used this information to calculate the Medicare pension segment assets.
- We obtained and reviewed the pension plan documents and Department of Labor/Internal Revenue Service Forms 5500 used in calculating the Medicare segment pension assets.
- We interviewed BCBSGA staff responsible for identifying the Medicare segment to determine whether the segment was properly identified in accordance with the Medicare contracts.
- We reviewed BCBSGA's accounting records to verify the segment identification and benefit payments made to the Medicare segment.
- We reviewed the prior segmentation audit performed at BCBSGA (A-07-07-00236) to determine the beginning value of assets.
- We provided the CMS Office of the Actuary with the actuarial information necessary for it to calculate the Medicare segment pension assets from January 1, 2001, to June 30, 2006.
- We reviewed the CMS actuaries' methodology and calculations.

We performed this review in conjunction with our audit of BCBGA's pension costs claimed for Medicare reimbursement (A-07-10-00345) and used the information obtained during that audit in this review.

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 objective.

FINDINGS AND RECOMMENDATION

BCBSGA properly implemented the prior audit recommendation; however, BCBSGA did not always comply with Federal requirements and the Medicare contracts' pension segmentation requirements while updating the Medicare segment pension assets from January 1, 2001, to June 30, 2006. BCBSGA identified Medicare segment pension assets of \$2,987,361; however, we determined that the Medicare segment pension assets were \$2,823,263 as of June 30, 2006. As a result, BCBSGA overstated the Medicare segment pension assets by \$164,098.

Appendix A presents details on the Medicare segment's pension assets from January 1, 2001, to June 30, 2006, as determined during our audit. Table 1 summarizes the audit adjustment required to update Medicare segment pension assets in accordance with Federal requirements.

Table 1: Summary of Audit Adjustments			
	Per Audit	Per BCBSGA	Difference
Prior Audit Recommendation	\$4,658,857	\$4,658,857	\$0
Update of Medicare Segment Pension Assets			
Contributions and Prepayment Credits	72,950	70,330	2,620
Benefit Payments	(1,319,909)	(1,125,975)	(193,934)
Net Transfers	(1,145,566)	(1,214,578)	69,012
Earnings, Net Expenses	378,931	420,727	(41,796)
Under/(Over)statement of Medicare Segment Pension Assets			(\$164,098)

PRIOR AUDIT RECOMMENDATION

BCBSGA properly implemented the prior audit recommendation (A-07-07-00236) which recommended that BCBSGA increase the Medicare segment pension assets by \$85,564 and recognize \$4,658,857¹ as the Medicare segment pension assets as of May 31, 2001.

UPDATE OF MEDICARE SEGMENT PENSION ASSETS

BCBSGA did not always comply with Federal requirements and the Medicare contracts' pension segmentation requirements when updating Medicare segment pension assets to June 30, 2006.

Federal Requirements

The Medicare contracts identify a Medicare segment as:

... any organizational component of the contractor, such as a division, department, or other similar subdivision, having a significant degree of responsibility and accountability for the Medicare contract/agreement, in which:

1. The majority of the salary dollars is allocated to the Medicare agreement/contract; or,
2. Less than a majority of the salary dollars are charged to the Medicare agreement/contract, and these salary dollars represent 40% or more of the total salary dollars charged to the Medicare agreement/contract.

Furthermore, the Medicare contracts state that "... the pension assets allocated to each Medicare segment shall be adjusted in accordance with CAS 413.50(c)(7)." CAS 413.50(c)(7) requires that the asset base be adjusted by contributions, permitted unfunded accruals, income, benefit payments, and expenses. For plan years beginning after March 30, 1995, the CAS requires investment income and expenses to be allocated among segments based on the ratio of the

¹ The Total Company assets as of May 31, 2001, presented in the prior segmentation report were adjusted during the current audit to properly account for accrued contributions allocated to plan year 2001. These adjustments restated the value of the Medicare segment pension assets presented in our prior segmentation report.

segment's weighted average value (WAV) of assets to Total Company WAV of assets. In addition, CAS 413.50(c)(8) requires an adjustment to be made for transfers (participants who enter or leave the segment) if the transfers materially affect the segment's ratio of pension plan assets to actuarial accrued liabilities.

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

Contributions and Prepayment Credits Understated

BCBSGA understated contributions and prepayment credits by \$2,620 primarily because it incorrectly allocated a prepayment credit in excess of the balance available as of January 1, 2001, when computing the 2001 assignable pension cost. BCBSGA did not have enough prepayment credits available at January 1, 2001, to fully satisfy the assignable pension costs in 2001.

Effective May 31, 2001, the Non-Contributory Retirement Program of BCBSGA pension plan assets merged into WHN's Pension Accumulation Plan, which also contained a prepayment credit balance. The Pension Accumulation Plan had sufficient prepayment credits to satisfy the remaining assignable pension cost in 2001. Therefore, we allocated the prepayment credit available at January 1, 2001, and a portion of the prepayment credit available at June 1, 2001, from the Pension Accumulation Plan, to satisfy the remaining 2001 assignable pension costs. BCBSGA transferred a prepayment credit of \$70,330 while we transferred a prepayment credit of \$72,950, a difference of \$2,260. This difference represents the interest accrued to June 1, 2001, on the balance of the assignable cost not covered by the prepayment that was available on January 1, 2001. As a result, BCBSGA understated the Medicare segment pension assets by \$2,620.

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

Benefit Payments Understated

BCBSGA understated benefit payments by \$193,934 because it did not identify two Medicare segment benefit payments in 2001. Benefit payments made during the year to Medicare segment participants should be identified as benefit payments to the Medicare segment, as required by CAS 413.50(c)(7). This understatement of benefit payments resulted in an overstatement of the Medicare segment pension assets by \$193,934.

Net Transfers Understated

BCBSGA overstated net transfers out of the Medicare segment by \$69,012 primarily because of differences in identification of the Medicare segment participants. This overstatement of the net transfer adjustment resulted in an understatement of the Medicare segment pension assets by \$69,012.

Earnings, Net Expenses Overstated

BCBSGA overstated investment earnings, less administrative expenses, by \$41,796 for the Medicare segment because it used incorrect contribution and prepayment credit amounts, benefit payment amounts, and transfer amounts (all discussed above) to develop the Medicare segment pension asset base as of June 30, 2006. In our audited update, we allocated earnings and expenses based on the applicable CAS requirements and determined that BCBSGA overstated earnings and expenses by \$41,796.

A comparison of BCBSGA's and our calculations of earnings, net expenses allocated to the Medicare segment appears in Table 2.

Year	Per Audit	Per BCBSGA	Variance
2001	(\$277,801)	(\$265,307)	(\$12,494)
2002	(365,991)	(379,633)	13,642
2003	555,423	575,470	(20,047)
2004	273,435	285,459	(12,024)
2005	132,044	139,816	(7,772)
2006	61,821	64,922	(3,101)
Total	\$378,931	\$420,727	(\$41,796)

RECOMMENDATION

We recommend that BCBSGA decrease its Medicare segment pension assets as of June 30, 2006, by \$164,098 and recognize \$2,823,263 as the Medicare segment pension assets.

AUDITEE COMMENTS

In written comments on our draft report, NGS concurred with our finding and recommendation.

While concurring with our finding and recommendation, NGS also suggested that the accuracy and clarity of this report would be enhanced if one passage in the background section (page 1) were to be revised as follows: "This report is being addressed to National Government Services, Inc. (NGS) since the BCBSGA Medicare contract was terminated and transitioned to a Medicare Administrative Contractor effective May 4, 2009. NGS is a subsidiary of WellPoint and manages the administration of the organization's existing Medicare government contract work."

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

OFFICE OF INSPECTOR GENERAL RESPONSE

After reviewing NGS's written comments, we determined that the suggested revision does not enhance the clarity or accuracy of this report. Therefore, we did not incorporate NGS's suggested revision into this report.

APPENDIXES

**APPENDIX A: BLUE CROSS BLUE SHIELD OF GEORGIA STATEMENT OF
MARKET VALUE OF PENSION ASSETS
FOR THE PERIOD JANUARY 1, 2001, TO JUNE 30, 2006**

Description		Total Company	"Other" Segment	Medicare Segment
Assets January 1, 2001	1/	\$70,161,459	\$65,324,602	\$4,836,857
Prepayment Credits	2/	0	(72,950)	72,950
Contributions	3/	34,810,908	34,810,908	0
Other Transactions	4/	65,143,292	65,143,292	
Earnings, Net Expenses	5/	(5,769,244)	(5,491,443)	(277,801)
Benefit Payments	6/	(10,988,593)	(10,794,659)	(193,934)
Transfers	7/	0	1,118,527	(1,118,527)
Assets January 1, 2002		153,357,822	150,038,277	3,319,545
Prepayment Credits		0	0	0
Contributions		16,944,554	16,944,554	0
Other Transactions	8/	38,432,157	38,432,157	0
Earnings, Net Expenses		(16,086,127)	(15,720,136)	(365,991)
Benefit Payments		(16,394,041)	(16,394,041)	0
Transfers		0	52,653	(52,653)
Assets January 1, 2003		176,254,365	173,353,464	2,900,901
Prepayment Credits		0	0	0
Contributions		25,634,926	25,634,926	0
Other Transactions	9/	155,125,495	155,125,495	0
Earnings, Net Expenses		32,149,135	31,593,712	555,423
Benefit Payments		(18,456,487)	(18,456,487)	0
Transfers		0	19,103	(19,103)
Assets January 1, 2004		370,707,434	367,270,213	3,437,221
Prepayment Credits		0	0	0
Contributions		13,980,114	13,980,114	0
Other Transactions		0	0	0
Earnings, Net Expenses		32,438,550	32,165,115	273,435
Benefit Payments		(24,102,192)	(23,274,205)	(827,987)
Transfers		0	122,092	(122,092)
Assets January 1, 2005		393,023,906	390,263,329	2,760,577
Prepayment Credits		0	0	0
Contributions		46,000,000	46,000,000	0
Other Transactions		0	0	0
Earnings, Net Expenses		18,642,129	18,510,085	132,044
Benefit Payments		(30,167,691)	(30,160,341)	(7,350)
Transfers		0	(166,809)	166,809
Assets January 1, 2006		\$427,498,344	\$424,446,264	\$3,052,080

Description	Total Company	"Other" Segment	Medicare Segment
Assets January 1, 2006	\$427,498,344	\$424,446,264	\$3,052,080
Transferred Prepayment Credits	0	0	0
Contributions	0	0	0
Other Transactions	0	0	0
Earnings, Net Expenses	8,893,436	8,831,615	61,821
Benefit Payments	(18,679,899)	(18,389,261)	(290,638)
Transfers	0	0	0
Assets June 30, 2006	\$417,711,881	\$414,888,618	\$2,823,263
Per BCBSGA	10/ \$417,711,881	\$414,724,520	\$2,987,361
Asset Variance	11/ \$0	\$164,098	(\$164,098)

FOOTNOTES

- 1/ We determined the Medicare segment pension assets as of January 1, 2001, based upon our prior segmentation audit of Blue Cross Blue Shield of Georgia (BCBSGA) (A-07-07-00236, issued November 16, 2007). Although our prior audit recommended an asset adjustment as of May 31, 2001, the Total Company assets used in the prior report did not account for accrued contributions allocated to plan year 2001. During the current audit, we adjusted the Total Company assets to properly account for all accrued contributions that were allocated to plan year 2001. The amounts shown for the "Other" segment represent the difference between the Total Company and the Medicare segment. All pension assets are shown at market value.
- 2/ Prepayment credits represent funds available to satisfy future funding requirements and are applied to future funding requirements before current year contributions in order to avoid incurring unallowable interest costs. Prepayment credits are maintained in the "Other" segment and transferred to the Medicare segment as needed to cover funding requirements.
- 3/ We obtained Total Company contribution amounts from the Department of Labor/Internal Revenue Service Forms 5500. We allocated Total Company contributions to the Medicare segment based on the ratio of the Medicare segment funding target divided by the Total Company funding target. Contributions in excess of the funding targets were treated as prepayment credits and accounted for in the "Other" segment until needed to fund pension costs in the future.
- 4/ Other transactions were obtained from the actuarial valuation reports. Effective May 31, 2001, the Non-Contributory Retirement Program of BCBSGA pension assets merged into the WellPoint Health Network, Inc., Pension Accumulation Plan. As of the merger date, the Pension Accumulation Plan pension plan assets contained a prepayment credit balance. A portion of the Pension Accumulation Plan prepayment credit balance was transferred to the BCBSGA Medicare segment to fund the remaining assignable pension costs in 2001.
- 5/ We obtained investment earnings from documents prepared by BCBSGA's actuarial consulting firms. We allocated investment earnings based on the ratio of the segment's weighted average value (WAV) of assets to Total Company WAV of assets as required by the Cost Accounting Standards (CAS).
- 6/ We based the Medicare segment's benefit payments on actual payments to Medicare retirees. We obtained the benefit payments from documents provided by BCBSGA.
- 7/ We identified participant transfers between segments by comparing valuation data files provided by BCBSGA. Asset transfers were equal to the actuarial liability determined under the accrued benefit cost method in accordance with the CAS.
- 8/ These "Other" transactions represent the acquisition of Blue Cross Blue Shield of Missouri (Right Choice). Effective May 1, 2002, Blue Cross Blue Shield of Missouri (Right Choice) merged into the Pension Accumulation Plan. These "Other" transactions did not impact the Medicare segment pension assets.
- 9/ These "Other" transactions represent the acquisition of the Cobalt Plan. Effective January 1, 2003, the Cobalt Plan merged into the Pension Accumulation Plan. These "Other" transactions did not impact the Medicare segment pension assets.
- 10/ We obtained total asset amounts as of June 30, 2006, from documents prepared by BCBSGA's actuarial consulting firms.
- 11/ The asset variance represents the difference between our calculation of Medicare segment pension assets and BCBSGA's calculation of the Medicare segment pension assets.

APPENDIX B: AUDITEE COMMENTS



A CMS Contracted Agent

National Government Services, Inc.
www.NGSMedicare.com

Medicare

June 2, 2011

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

Reference: Report Number A-07-10-00344

Dear Mr. Cogley:

We have received the draft audit report from the Inspector General entitled "Review of Pension Segmentation Requirements at Blue Cross Blue Shield of Georgia for the Period January 1, 2001 to June 30, 2006" and thank you for the opportunity to respond.

We concur with the finding and related recommendation outlined in the report. We believe the accuracy and clarity of the report would be enhanced with the adoption of the following proposed revision:

- In the "Introduction" section (page 1) within the "Background" caption, please replace the 2nd paragraph with the following:

This report is being addressed to National Government Services, Inc. (NGS) since the BCBSGA Medicare contract was terminated and transitioned to a Medicare Administrative Contractor effective May 4, 2009. NGS is a subsidiary of WellPoint and manages the administration of the organization's existing Medicare government contract work.

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

Sincerely,

A handwritten signature in black ink that reads "Todd W. Reiger".

Digitally signed by Todd W. Reiger
DN: cn=Todd W. Reiger, o=National
Government Services, Inc., ou=Finance,
email=todd.reiger@wellpoint.com, c=US
Date: 2011.06.02 08:57:41 -05'00'

Todd W. Reiger, CPA
Chief Financial Officer, Medicare Operations



June 2, 2011
Page 2 of 2

CC: Sandy Miller
Michael Kapp
Jeff Hannah
Wendy Perkins
Joanne Imel – WellPoint
Jenene Tambke – OIG