



DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL



OFFICE OF AUDIT SERVICES, REGION VII
601 EAST 12TH STREET, ROOM 0429
KANSAS CITY, MO 64106

March 7, 2012

Report Number: A-07-11-00363

Ms. Suzanne M. Gannon
Executive Director and Chief Financial Officer
MedUS Services, LLC
HealthNow New York, Inc.
257 West Genesee Street
Buffalo, NY 14202

Dear Ms. Gannon:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled *Review of Medicare Contractor's Pension Segmentation Requirements for the Medicare Part B Segment at HealthNow New York, Inc., for the Period April 1, 1995, to January 1, 2007*. 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-07-11-00363 in all correspondence.

Sincerely,

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

Enclosure

Direct Reply to HHS Action Official:

Ms. Deborah Taylor
Director and Chief Financial Officer
Office of Financial Management
Centers for Medicare & Medicaid Services
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Baltimore, MD 21244-1850

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF MEDICARE CONTRACTOR'S
PENSION SEGMENTATION
REQUIREMENTS FOR THE MEDICARE
PART B SEGMENT AT
HEALTHNOW NEW YORK, INC.,
FOR THE PERIOD APRIL 1, 1995,
TO JANUARY 1, 2007**



Daniel R. Levinson
Inspector General

March 2012
A-07-11-00363

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

During our audit period (April 1, 1995, to January 1, 2007), HealthNow New York, Inc. (HealthNow), administered Medicare Part B and Durable Medical Equipment Regional Carrier operations under cost reimbursement contracts with the Centers for Medicare & Medicaid Services (CMS).

HealthNow sponsors a defined benefit pension plan, which is a deferred compensation plan in which an employer makes actuarially determined contributions to fund an employee's retirement benefit as defined by the plan's terms.

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.

OBJECTIVE

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

- identifying the Medicare segment's initial asset base and
- updating the Medicare segment's pension assets from the initial asset base to January 1, 2007.

SUMMARY OF FINDINGS

HealthNow complied with the Medicare contracts' pension segmentation requirements in identifying the Medicare segment's initial asset base. However, HealthNow did not always comply with Federal requirements and the Medicare contracts' pension segmentation requirements when updating the Medicare segment assets from the initial asset base to January 1, 2007. HealthNow identified Medicare segment pension assets of \$11,251,174; however, we determined that the Medicare segment pension assets were \$12,054,951 as of January 1, 2007. Thus, HealthNow understated the Medicare segment pension assets by \$803,777 as of January 1, 2007. The understatement occurred primarily because HealthNow's

calculations did not always consider actual benefit payments to Medicare segment participants as required by the CAS.

RECOMMENDATION

We recommend that HealthNow increase the Medicare segment pension assets as of January 1, 2007, by \$803,777 and recognize \$12,054,951 as the Medicare segment's pension assets.

AUDITEE COMMENTS

In written comments on our draft report, HealthNow agreed with our findings and acknowledged that there will be a global settlement of HealthNow's outstanding audits. HealthNow's comments are included in their entirety as Appendix B.

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Glossary of Abbreviations and Acronyms

CAS	Cost Accounting Standards
CMS	Centers for Medicare & Medicaid Services
DMREC	Durable Medical Equipment Regional Carrier
FAR	Federal Acquisition Regulation
HealthNow	HealthNow New York, Inc.
WAV	weighted average value

INTRODUCTION

BACKGROUND

HealthNow New York, Inc., and Medicare

During our audit period (April 1, 1995, to January 1, 2007), HealthNow New York, Inc. (HealthNow), administered Medicare Part B and Durable Medical Equipment Regional Carrier (DMERC) operations under cost reimbursement contracts with the Centers for Medicare & Medicaid Services (CMS).¹

HealthNow sponsors a defined benefit pension plan, which is a deferred compensation plan in which an employer makes actuarially determined contributions to fund an employee's retirement benefit as defined by the plan's terms.

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.

¹ The DMERC contractual relationship was terminated on June 30, 2006. The effective closing date for the DMERC Medicare segment was January 1, 2007. We are reviewing this segment closing in a separate audit (A-07-11-00366) of HealthNow. Unless otherwise noted, all subsequent references to Medicare segment pension assets in the body of this report relate to the Medicare Part B segment pension assets.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

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

- identifying the Medicare segment's initial asset base and
- updating the Medicare segment's pension assets from the initial asset base to January 1, 2007.

Scope

We reviewed HealthNow's identification of its Medicare segment, computation of the initial assets allocated to the Medicare segment, and update of Medicare segment assets from April 1, 1995, to January 1, 2007.

Achieving our objective did not require us to review HealthNow's overall internal control structure. We reviewed controls relating to the identification of the Medicare segment and the update of the segment's assets.

We performed fieldwork at HealthNow's office in Buffalo, New York.

Methodology

To accomplish our objective, we did the following:

- We reviewed the portions of the FAR, CAS, and Medicare contracts applicable to this audit.
- We reviewed HealthNow's development of the Medicare segment initial assets as of April 1, 1995.
- We reviewed the information provided by HealthNow's actuarial consulting firm. Prior to our review, HealthNow engaged its actuarial consulting firm to analyze and develop its Medicare segment pension asset accounting. This information included the pension plan's assets, liabilities, normal costs, contributions, benefit payments, investment earnings, and administrative expenses. We used this information in our review of Medicare segment assets.
- We obtained and reviewed the pension plan documents and Form 5500 Series disclosure documents used in calculating the Medicare segment assets.²

² Employee benefit plans are required to file these forms with the U.S. Department of Labor and the Internal Revenue Service.

- We interviewed HealthNow staff responsible for identifying the Medicare segment to determine whether the segment was properly identified in accordance with the Medicare contracts.
- We reviewed HealthNow's accounting records to verify the segment identification and benefit payments made to the Medicare segment participants.
- We provided the CMS Office of the Actuary with the actuarial information necessary for it to calculate the Medicare segment pension assets from April 1, 1995, to January 1, 2007.
- We reviewed the CMS actuaries' methodology and calculations.

We performed this review in conjunction with our review of pension costs claimed for Medicare reimbursement by HealthNow for fiscal years 1995 through 2006 (A-07-11-00364) and our review of HealthNow's unfunded pension costs for 1995 through 2006 (A-07-11-00365).

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

HealthNow complied with the Medicare contracts' pension segmentation requirements in identifying the Medicare segment's initial asset base. However, HealthNow did not always comply with Federal requirements and the Medicare contracts' pension segmentation requirements when updating the Medicare segment assets from the initial asset base to January 1, 2007. HealthNow identified Medicare segment pension assets of \$11,251,174; however, we determined that the Medicare segment pension assets were \$12,054,951 as of January 1, 2007. Thus, HealthNow understated the Medicare segment pension assets by \$803,777 as of January 1, 2007. The understatement occurred primarily because HealthNow's calculations did not always consider actual benefit payments to Medicare segment participants as required by the CAS.

Appendix A presents details on the Medicare segment's pension assets from April 1, 1995, to January 1, 2007, as determined during our audit. Table 1 on the next page 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 HealthNow	Difference
Update of Medicare Part B Segment Assets			
Contributions and Prepayment Credits	\$6,011,426	\$6,258,714	(\$247,288)
Benefit Payments	(3,696,585)	(4,540,523)	843,938
Other Transactions	2,387	2,074	313
Earnings, Net Expenses	6,311,973	6,105,159	206,814
Under/(Over)statement of Medicare Part B Pension Segment Assets			\$803,777

MEDICARE PART B SEGMENT ASSET BASE (INITIAL ALLOCATION)

The Medicare contracts provide for separate identification of the pension assets for the Medicare segment. The identification involves the allocation of assets to the Medicare segment as of the first pension plan year after December 31, 1985, in which the contract's salary criterion identifying a Medicare segment was met.

HealthNow computed an initial asset base of \$4,024,940 as of April 1, 1995, for the Medicare segment. We accepted HealthNow's computation of its Medicare segment initial asset base.

UPDATE OF MEDICARE PART B SEGMENT PENSION ASSETS

HealthNow did not always comply with Federal requirements and the Medicare contracts' pension segmentation requirements when updating Medicare segment assets to January 1, 2007.

Federal Requirements

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 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 Transferred Prepayment Credits Overstated

HealthNow overstated contributions and transferred prepayment credits by \$247,288 for the Medicare segment. This overstatement occurred because HealthNow did not correctly calculate the assignable pension cost upon which the contributions and transferred prepayment credits were based. As a result, HealthNow overstated the Medicare segment pension assets by \$247,288.

Benefit Payments Overstated

HealthNow overstated benefit payments for the Medicare segment by \$843,938 because HealthNow's calculation did not always report actual benefit payments to Medicare segment participants as required by the CAS. Specifically, starting in 2005 HealthNow used estimated benefit payment amounts to allocate benefit payments to the Medicare segment. CAS 413.50(c)(7) requires that the asset base be adjusted by benefit payments "... attributable to the segment and paid from the pension plan." We based the Medicare segment's benefit payments on actual benefit payments to Medicare segment participants as required by the CAS. This overstatement of benefit payments resulted in an understatement of Medicare segment pension assets by \$843,938.

A comparison of HealthNow's and our calculations of benefit payments from the Medicare segment appears in Table 2.

	Per Audit	Per HealthNow	Difference
1995	(\$19,072)	(\$19,072)	\$0
1996	(50,370)	(50,370)	0
1997	(41,390)	(41,390)	0
1998	(65,287)	(65,287)	0
1999	(177,179)	(177,276)	97
2000	(201,109)	(200,315)	(794)
2001	(217,515)	(218,127)	612
2002	(280,353)	(280,083)	(270)
2003	(605,485)	(612,260)	6,775
2004	(279,811)	(336,737)	56,926
2005	(423,836)	(415,004)	(8,832)
2006	(1,335,178)	(2,124,602)	789,424
Total	(\$3,696,585)	(\$4,540,523)	\$843,938

Other Transactions Understated

HealthNow understated other transactions by \$313 for the Medicare segment because it used a different allocation basis (due to the use of incorrect contributions and transferred prepayment credits, and incorrect benefit payment amounts, as previously discussed) to allocate the other transactions to the Medicare segment. In our audited update, we allocated other transactions

based on the ratio of the Medicare segment assets to the Total Company assets after transferred prepayment credits.

Earnings, Net Expenses Understated

HealthNow understated investment earnings, less administrative expenses, by \$206,814 for the Medicare segment because it used incorrect contributions and transferred prepayment credits, benefit payments, and other transactions amounts (all previously discussed) to develop the Medicare segment pension asset base. In our audited update, we allocated earnings, net expenses based on the applicable CAS requirements.

RECOMMENDATION

We recommend that HealthNow increase the Medicare segment pension assets as of January 1, 2007, by \$803,777 and recognize \$12,054,951 as the Medicare segment's pension assets.

AUDITEE COMMENTS

In written comments on our draft report, HealthNow agreed with our findings and acknowledged that there will be a global settlement of HealthNow's outstanding audits.

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

APPENDIXES

**APPENDIX A: STATEMENT OF MARKET VALUE OF PENSION ASSETS FOR
THE MEDICARE PART B SEGMENT AT HEALTHNOW NEW YORK, INC.,
FOR THE PERIOD APRIL 1, 1995, TO JANUARY 1, 2007**

Description		Total Company	“Other” Segment	Part B Medicare Segment	DMERC Medicare Segment
Assets April 1, 1995	<u>2/</u>	\$43,523,569	\$39,498,629	\$4,024,940	<u>1/</u> \$0
Transferred Prepayment Credits		0	0	0	0
Contributions	<u>3/</u>	4,572,907	3,979,268	593,639	0
Earnings, Net Expenses	<u>4/</u>	2,312,972	2,093,686	219,286	0
Benefit Payments	<u>5/</u>	(1,788,809)	(1,769,737)	(19,072)	0
Transfers		0	0	0	0
Assets April 1, 1996		48,620,639	43,801,846	4,818,793	0
Transferred Prepayment Credits	<u>6/</u>	0	(84,182)	84,182	0
Contributions		3,949,827	3,322,332	627,495	0
Earnings, Net Expenses		2,481,526	2,227,641	253,885	0
Benefit Payments		(1,888,300)	(1,837,930)	(50,370)	0
Transfers		0	0	0	0
Assets April 1, 1997		53,163,692	47,429,707	5,733,985	0
Transferred Prepayment Credits		0	0	0	0
Contributions		3,652,171	3,117,638	534,533	0
Earnings, Net Expenses		2,144,799	1,910,893	233,906	0
Benefit Payments		(1,551,657)	(1,510,267)	(41,390)	0
Transfers		0	0	0	0
Assets January 1, 1998		57,409,005	50,947,971	6,461,034	0
Transferred Prepayment Credits		0	(28,795)	28,795	0
Contributions		3,389,930	3,037,771	352,159	0
Annuity Purchase	<u>7/</u>	(20,883,912)	(20,326,840)	(557,072)	0
Earnings, Net Expenses		2,414,480	2,066,791	347,689	0
Benefit Payments		(2,447,515)	(2,382,228)	(65,287)	0
Transfers	<u>8/</u>	0	5,289	(5,289)	0
Assets January 1, 1999		39,881,988	33,319,959	6,562,029	0
Transferred Prepayment Credits		0	(64,252)	64,252	0
Contributions		5,313,049	4,914,739	398,310	0
Earnings, Net Expenses		7,508,475	6,259,046	1,249,429	0
Benefit Payments		(2,306,407)	(2,129,228)	(177,179)	0
Transfers		0	0	0	0
Assets January 1, 2000		50,397,105	42,300,264	8,096,841	0
Transferred Prepayment Credits		0	(174,334)	174,334	0
Contributions		9,142,603	8,843,116	299,487	0
Earnings, Net Expenses		(1,077,408)	(903,560)	(173,848)	0
Benefit Payments		(2,244,609)	(2,043,500)	(201,109)	0
Transfers		0	33,497	(33,497)	0
Assets January 1, 2001		\$56,217,691	\$48,055,483	\$8,162,208	\$0

Description		Total Company	“Other” Segment	Part B Medicare Segment	DMERC Medicare Segment
Assets January 1, 2001		\$56,217,691	\$48,055,483	\$8,162,208	\$0
Transferred Prepayment Credits		0	(318,218)	318,218	0
Contributions		8,719,704	8,719,704	0	0
Other Transactions	<u>9/</u>	15,824	13,437	2,387	0
Earnings, Net Expenses		(2,471,296)	(2,104,161)	(367,135)	0
Benefit Payments		(2,425,152)	(2,207,637)	(217,515)	0
Transfers		0	0	(2,648)	2,648
Assets January 1, 2002		60,056,771	52,158,608	7,895,515	2,648
Transferred Prepayment Credits		0	(732,344)	489,141	243,203
Contributions		7,930,000	7,930,000	0	0
Earnings, Net Expenses		(6,179,908)	(5,286,432)	(867,604)	(25,872)
Benefit Payments		(2,663,303)	(2,382,950)	(280,353)	0
Transfers		0	541	(541)	0
Assets January 1, 2003		59,143,560	51,687,423	7,236,158	219,979
Transferred Prepayment Credits		0	(675,188)	458,820	216,368
Contributions		6,850,000	6,850,000	0	0
Earnings, Net Expenses		14,513,020	12,544,601	1,858,704	109,715
Benefit Payments		(2,847,892)	(2,242,407)	(605,485)	0
Transfers		0	0	0	0
Assets January 1, 2004		77,658,688	68,164,429	8,948,197	546,062
Transferred Prepayment Credits		0	(814,039)	596,090	217,949
Contributions		6,750,000	6,750,000	0	0
Earnings, Net Expenses		8,787,207	7,616,997	1,082,285	87,925
Benefit Payments		(2,606,684)	(2,326,873)	(279,811)	0
Transfers		0	0	0	0
Assets January 1, 2005		90,589,211	79,390,514	10,346,761	851,936
Transferred Prepayment Credits		0	(727,833)	520,848	206,985
Contributions		6,600,000	6,600,000	0	0
Earnings, Net Expenses		7,383,951	6,410,744	885,236	87,971
Benefit Payments		(3,415,381)	(2,991,545)	(423,836)	0
Transfers		0	(17,556)	(143)	17,699
Assets January 1, 2006		101,157,781	88,664,324	11,328,866	1,164,591
Transferred Prepayment Credits		0	(579,773)	471,123	108,650
Contributions		0	0	0	0
Earnings, Net Expenses		13,099,673	11,395,306	1,590,140	114,227
Benefit Payments		(18,896,767)	(16,614,494)	(1,335,178)	(947,095)
Transfers		0	17,699	0	(17,699)
Assets January 1, 2007		\$95,360,687	\$82,883,062	\$12,054,951	\$422,674
Per HealthNow	<u>10/</u>	\$95,360,687	\$84,184,414	\$11,251,174	(\$74,901)
Asset Variance	<u>11/</u>	\$0	(\$1,301,352)	\$803,777	\$497,575

ENDNOTES

- 1/ We are reviewing Durable Medical Equipment Regional Carrier (DMERC) Medicare segment assets in a separate audit (A-07-11-00366) of HealthNow.
- 2/ We agreed with HealthNow's determination of the Medicare Part B segment's initial assets. The amounts shown for the "Other" segment represent the difference between the Total Company, the Medicare Part B segment, and the DMERC Medicare segment. All pension assets are shown at market value.
- 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(s) based on the ratio of the Medicare segment(s) 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/ We obtained net investment earnings from documents prepared by HealthNow's actuarial consulting firm. For years starting with 1996, we allocated net 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). For 1995, we followed the WAV approach used by HealthNow.
- 5/ We based the Medicare Part B segment's benefit payments on actual payments to Medicare Part B segment participants. We obtained the benefit payments from documents provided by HealthNow.
- 6/ Prepayment credits represent funds available to satisfy future funding requirements, and are applied to future funding requirements before current year contributions in order to reduce interest costs to the Federal Government. Prepayment credits are transferred to the Medicare segment(s) as needed to cover funding requirements.
- 7/ We agreed with the annuity purchase amounts obtained from documents prepared by HealthNow's actuarial consulting firm.
- 8/ We identified participant transfers between segments by comparing valuation data files provided by HealthNow. Asset transfers were equal to the actuarial liability determined under the accrued benefit cost method in accordance with the CAS.
- 9/ This other transaction represents a fund transfer associated with the New England Fund. We allocated this transaction to the Medicare Part B segment based on the ratio of the Medicare Part B segment assets to the Total Company assets after the transfer of prepayment credits.
- 10/ We obtained total asset amounts as of January 1, 2007, from documents prepared by HealthNow's actuarial consulting firm.
- 11/ The asset variance represents the difference between our calculation of Medicare segment(s) pension assets and HealthNow's calculation of the Medicare segment(s) pension assets.

APPENDIX B: AUDITEE COMMENTS



257 West Genesee Street • Buffalo, New York 14202-2657

January 30, 2012

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

Re: Report Number: A-07-11-00363

Dear Mr. Cogley:

This letter is in response to the U.S. Department of Health & Human Services, Office of Inspector General, Office of Audit Services' draft report entitled "REVIEW OF MEDICARE CONTRACTOR'S PENSION SEGMENTATION REQUIREMENTS FOR THE MEDICARE PART B SEGMENT AT HEALTHNOW NEW YORK INC FOR THE PERIOD APRIL 1, 1995, TO JANUARY 1, 2007." HealthNow New York Inc. (HealthNow) has reviewed the draft report in conjunction with our actuaries at Hooker and Holcombe, Inc. Following are comments regarding the specific findings.

- Increase the Medicare Part B segment's pension assets as of January 1, 2007 by \$803,777. This brings the Medicare Part B segment's pension asset value to \$12,054,951.

We agree with this finding and understand there will be a global settlement of all HealthNow's outstanding audits.

HealthNow would like to thank the audit team for their professionalism and recognition of the ongoing operation during the audit. I am also grateful to Jenenne Tambke for the extension to respond to this draft report.

If you have any questions please contact me at 716.887.6922.

Sincerely,

A handwritten signature in blue ink that reads "Suzanne M. Gannon".

Suzanne M. Gannon
Executive Director & CFO, Medicare Operation
MedUS Services, LLC
HealthNow New York Inc.

CC: Carmen L. Snell, Esq.
Christopher Leardini
Catherine M. Campbell