

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**COMPANION DATA SERVICES,
LLC, OVERSTATED
ITS MEDICARE SEGMENT
PENSION ASSETS**

*Inquiries about this report may be addressed to the Office of Public Affairs at
Public.Affairs@oig.hhs.gov.*



Gloria L. Jarmon
Deputy Inspector General
for Audit Services

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Office of Inspector General

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OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

Report in Brief

Date: August 2017

Report No. A-07-17-00512

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



Why OIG Did This Review

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

The HHS, OIG, Office of Audit Services, Region VII pension audit team reviews the Medicare segment pension assets to ensure compliance with Federal regulations.

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

Our objective was to determine whether Companion Data Services, LLC (CDS), complied with Federal requirements with respect to its established cost accounting practice when updating its Medicare segment's pension assets from January 1, 2008, to January 1, 2013.

How OIG Did This Review

We reviewed CDS's update of the Medicare segment pension assets as of January 1, 2013, to ensure compliance with Federal regulations.

Companion Data Services, LLC, Overstated Its Medicare Segment Pension Assets

What OIG Found

CDS did not correctly update the Medicare segment pension assets from January 1, 2008, to January 1, 2013, in accordance with Federal regulations with respect to its established cost accounting practice. CDS identified Medicare segment pension assets of \$10.548 million as of January 1, 2013; however, we determined that the Medicare segment pension assets were \$10.430 million. Therefore, CDS overstated the Medicare segment pension assets by \$117,880. CDS overstated the Medicare segment pension assets because it did not have policies and procedures to ensure that it calculated those assets in accordance with Federal regulations with respect to its established cost accounting practice when updating the Medicare segments' pension assets from January 1, 2008, to January 1, 2013.

What OIG Recommends and CDS Comments

We recommend that CDS decrease its Medicare segment pension assets as of January 1, 2013, by \$117,880 and recognize \$10.430 million as the CDS Medicare segment pension assets, and establish policies and procedures to ensure compliance with Federal regulations.

CDS accepted our recommendations and said that it would establish policies and procedures to ensure compliance with Federal regulations.

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INTRODUCTION

WHY WE DID THIS REVIEW

Certain Medicare contractors are required to separately account for the Medicare segment pension plan assets based on the requirements of their Medicare contracts and 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. Previous Office of Inspector General reviews found that Medicare contractors did not always correctly identify and update the segmented pension assets.

At CMS's request, the 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 (Medicare contractors) through Incurred Cost Proposals.

For this review, we focused on one entity, Companion Data Services, LLC (CDS). In particular, we examined the Other segment and Medicare segment pension assets that CDS updated from January 1, 2008, to January 1, 2013.

OBJECTIVE

Our objective was to determine whether CDS complied with Federal requirements with respect to its established cost accounting practice when updating its Medicare segment's pension assets from January 1, 2008, to January 1, 2013.

BACKGROUND

Companion Data Services, LLC

During our audit period, CDS was a subsidiary of Blue Cross Blue Shield of South Carolina (BCBS South Carolina), whose home office is in Columbia, South Carolina. CDS functioned as an Enterprise Data Center (EDC) under cost reimbursement contracts with CMS. With the implementation of Medicare contracting reform,¹ CDS was created after being awarded the EDC contract effective March 10, 2006. Upon creation of the CDS Medicare segment, BCBS South Carolina and CDS elected to follow CAS regulations regarding segmented accounting.

¹ Section 911 of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, P.L. No. 108-173, required CMS to transfer the functions of fiscal intermediaries and carriers to Medicare administrative contractors (MACs) between October 2005 and October 2011. Most, but not all, of the MACs are fully operational; for jurisdictions where the MACs are not fully operational, the fiscal intermediaries and carriers continue to process claims. For purposes of this report, the term "Medicare contractor" means the fiscal intermediary, carrier, or MAC, whichever is applicable.

Pension Plan Medicare Segments

BCBS South Carolina sponsored a qualified defined-benefit plan that included the following Medicare segments: (1) Palmetto Government Benefits Administrator, LLC (Palmetto), segment; (2) TrailBlazer Health Enterprise, LLC (TrailBlazer), segment; and (3) CDS segment. This report addresses CDS's compliance with Federal regulations with respect to its established cost accounting practice. We are addressing Palmetto's and TrailBlazer's compliance with Federal regulations and the pension segmentation language in separate reviews.

HOW WE CONDUCTED THIS REVIEW

We reviewed CDS's update of the Medicare segment pension assets from January 1, 2008, to January 1, 2013.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objectives.

Appendix A contains details of our audit scope and methodology.

FINDING

CDS did not correctly update the Medicare segment pension assets from January 1, 2008, to January 1, 2013, in accordance with Federal regulations with respect to its established cost accounting practice. CDS identified Medicare segment pension assets of \$10,548,128 as of January 1, 2013; however, we determined that the Medicare segment pension assets were \$10,430,248. Therefore, CDS overstated the Medicare segment pension assets by \$117,880. This overstatement consisted of incorrectly identified initial Medicare segment assets and incorrectly updated Medicare segment pension assets. CDS overstated the Medicare segment pension assets because it did not have policies and procedures to ensure that it calculated those assets in accordance with Federal regulations with respect to its established cost accounting practice when updating the Medicare segments' pension assets from January 1, 2008, to January 1, 2013.

Appendix B identifies the details of the CDS Medicare segment's pension assets from January 1, 2008, to January 1, 2013, as determined during our audit. Table 1 on the following page summarizes the audit adjustments required to update Medicare segment pension assets in accordance with Federal requirements.

Table 1: Summary of Audit Adjustments			
	Per Audit	Per CDS	Difference
Initial Medicare Segment Assets	\$3,897,761	\$3,936,787	(\$39,026)
Update of Medicare Segment Assets			
Contributions and Prepayment Credits	\$7,698,343	\$7,712,516	(\$14,173)
Benefit Payments	(1,404,768)	(1,404,768)	0
Net Transfers Out	(1,740,332)	(1,663,161)	(77,171)
Earnings, Net of Expenses	1,979,244	1,966,754	12,490
Overstatement of Medicare Segment Assets			(\$117,880)

INITIAL MEDICARE SEGMENT ASSETS

CDS did not correctly identify the segment pension assets as of January 1, 2008. CDS identified Medicare segment assets of \$3,936,787 as of January 1, 2008. We determined that the Medicare segment pension assets as of that date were \$3,897,761. Therefore, CDS understated the January 1, 2008, assets by \$39,026. This understatement occurred because CDS did not correctly identify the transfers into the CDS segment from the other segments.

UPDATE OF MEDICARE SEGMENT PENSION ASSETS

CDS's established cost accounting practice requires it to update the Medicare segment pension assets yearly in accordance with the CAS. The CAS requires that the asset base be adjusted by contributions, income, benefit payments, and expenses. For details on the Federal requirements, see Appendix C.

CDS did not correctly update the Medicare segment pension assets from January 1, 2008, to January 1, 2013, in accordance with Federal requirements. CDS identified Medicare segment pension assets of \$10,548,128 as of January 1, 2013; however, we determined that the Medicare segment pension assets were \$10,430,248. Therefore, CDS overstated the Medicare segment pension assets by \$117,880. The following are our findings regarding the update of the Medicare segment pension assets from January 1, 2008, to January 1, 2013. Appendix D identifies CDS's CAS balance equation as of January 1, 2013.²

² The CAS balance equation identifies the market value of assets, actuarial accrued liability, actuarial value of assets, accumulated value of prepayment credits, and the unfunded actuarial liability in accordance with CAS 412.40(c).

Contributions and Transferred Prepayment Credits Overstated

The audited contributions and transferred prepayment credits³ are based on the assignable pension costs.⁴ 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 (valuation) date. We then allocated contributions to assigned pension costs, as needed, as of the date of deposit. For additional details on these Federal requirements, see Appendix C.

CDS overstated contributions and transferred prepayment credits by \$14,173 for the Medicare segment. The overstatement occurred primarily because of differences in the asset base used to compute the assignable pension costs. Table 2 below shows the differences between the contributions and transferred prepayment credits proposed by CDS and the contributions and prepayment credits that we calculated during our review.

	Per Audit	Per CDS	Difference
2008	\$996,234	\$998,364	(\$2,130)
2009	1,330,442	1,333,549	(3,107)
2010	1,694,256	1,692,441	1,815
2011	1,860,392	1,858,549	1,843
2012	1,817,019	1,829,613	(12,594)
Total	\$7,698,343	\$7,712,516	(\$14,173)

Net Transfers Out Understated

CDS understated net transfers out of the Medicare segment by \$77,171. The understatement occurred because CDS incorrectly transferred Medicare segment participants out of the Medicare segment. This understatement of the net transfer adjustment resulted in an understatement of the Medicare segment pension assets by \$77,171. Table 3 on the following page shows the differences between the participant transfers proposed by CDS and the participant transfers that we noted during our review.

³ A prepayment credit is the amount funded in excess of the pension costs assigned to a cost accounting period that is carried forward for future recognition.

⁴ These are assigned to a specific cost accounting period.

Table 3: Participant Transfers			
	Per Audit	Per CDS	Difference
2008	(\$299,900)	(\$291,399)	(\$8,501)
2009	280,307	340,575	(60,268)
2010	(129,811)	(136,514)	6,703
2011	(333,518)	(341,041)	7,523
2012	(1,257,410)	(1,234,782)	(22,628)
Total	(\$1,740,332)	(\$1,663,161)	(\$77,171)

Earnings, Net of Expenses Understated

CDS understated investment earnings, less administrative expenses, by \$12,490 for the Medicare segment, because it used incorrect contributions and transferred prepayment credits, and incorrect net transfers (all discussed above), to develop the Medicare segment pension asset base. In our audited update, we allocated earnings, net of expenses based on the applicable CAS requirements. Table 4 below shows the difference between CDS's proposed earnings, net of expenses and the amounts that we calculated during our review. For details on applicable Federal requirements, see Appendix C.

Table 4: Earnings, Net of Expenses			
	Per Audit	Per CDS	Difference
2008	(\$1,302,662)	(\$1,313,617)	\$10,955
2009	764,383	771,353	(6,970)
2010	1,022,427	1,038,256	(15,829)
2011	(50,959)	(74,006)	23,047
2012	1,546,055	1,544,768	1,287
Total	\$1,979,244	\$1,966,754	\$12,490

RECOMMENDATIONS

We recommend that CDS:

- decrease its Medicare segment pension assets as of January 1, 2013, by \$117,880 and recognize \$10,430,248 as the CDS Medicare segment pension assets, and
- establish policies and procedures to ensure compliance with Federal regulations.

AUDITEE COMMENTS

In written comments on our draft report, CDS said that it accepted our recommendations and would establish policies and procedures to ensure compliance with Federal regulations. CDS's comments appear in their entirety as Appendix E.

OTHER MATTER

During our review, we noted that the lump sum conversion rate used by BCBS South Carolina's actuaries appeared to be based on current market interest rates. This could be inconsistent with the CAS requirement to use long-term interest assumptions. Accordingly, it is appropriate that BCBS South Carolina discuss with CMS the use of noncompliant interest assumptions when settling contract costs.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

We reviewed CDS's identification of its Medicare segment and update of Medicare segment assets from January 1, 2008, to January 1, 2013.

Achieving our objective did not require that we review CDS's overall internal control structure. We reviewed controls relating to the identification of the Medicare segment and to the update of the Medicare segment's assets to ensure adherence to its established cost accounting practice, CAS 412, and CAS 413.

We performed fieldwork at Palmetto in Columbia, South Carolina.

METHODOLOGY

To accomplish our objectives, we:

- reviewed the portions of the Federal Acquisition Regulation and CAS applicable to this audit;
- reviewed the annual actuarial valuation reports prepared by BCBS South Carolina'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 CDS Medicare segment assets;
- obtained and reviewed the pension plan documents and Department of Labor/Internal Revenue Service Forms 5500 used in calculating the CDS Medicare segment assets;
- interviewed BCBS South Carolina and CDS staff responsible for identifying the Medicare segment to determine whether the segment was properly identified in accordance with CDS's established cost accounting practice;
- reviewed CDS's accounting records to verify the segment's identification as well as the benefit payments made to the Medicare segment;
- provided the CMS Office of the Actuary with the actuarial information necessary for it to calculate the Medicare segment pension assets from January 1, 2008, to January 1, 2013;
- reviewed the CMS actuaries' methodology and calculations; and

- provided the results of the review to CDS officials on April 11, 2017.

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

- *Palmetto Government Benefits Administrator, LLC, Understated Its Medicare Segment Pension Assets (A-07-17-00503) and*
- *TrailBlazer Health Enterprises, LLC, Understated Its Medicare Segment Pension Assets and Understated Medicare's Share of the Medicare Segment Excess Pension Assets (A-07-17-00507).*

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: COMPANION DATA SERVICES , LLC,
STATEMENT OF MEDICARE SEGMENT PENSION ASSETS
FOR THE PERIOD OF JANUARY 1, 2008, TO JANUARY 1, 2013**

Description		Total Company	Other Segments	Palmetto Medicare Segment	TrailBlazer Medicare Segment	CDS Medicare Segment
Assets January 1, 2007	<u>1/</u>	\$502,040,098	\$421,501,749	\$44,861,710	\$35,676,639	\$0
Prepayment Credits	<u>2/</u>	0	(11,857,281)	6,557,001	5,300,280	0
Contributions	<u>3/</u>	30,000,000	30,000,000	0	0	0
Earnings	<u>4/</u>	36,810,082	30,040,521	3,738,425	3,031,136	0
Benefit Payments	<u>5/</u>	(22,412,122)	(18,154,606)	(3,139,402)	(1,118,114)	0
Administrative Expenses	<u>6/</u>	(2,134,523)	(1,741,973)	(216,782)	(175,768)	0
Transfers	<u>7/</u>	0	6,272,405	(5,209,821)	(4,960,345)	3,897,761
Assets January 1, 2008		\$544,303,535	\$456,060,815	\$46,591,131	\$37,753,828	\$3,897,761
Prepayment Credits		0	(10,177,933)	4,985,138	4,196,561	996,234
Contributions		55,000,000	55,000,000	0	0	0
Earnings		(139,128,389)	(114,147,505)	(13,335,545)	(10,360,405)	(1,284,934)
Benefit Payments		(28,796,394)	(22,247,008)	(1,569,007)	(4,980,379)	0
Administrative Expenses		(1,919,561)	(1,574,899)	(183,991)	(142,943)	(17,728)
Transfers		0	4,869,606	(1,377,920)	(3,191,786)	(299,900)
Assets January 1, 2009		\$429,459,191	\$367,783,076	\$35,109,806	\$23,274,876	\$3,291,433
Prepayment Credits		0	(11,383,635)	5,031,604	5,021,589	1,330,442
Contributions		50,000,000	50,000,000	0	0	0
Earnings		70,849,880	58,827,624	6,543,601	4,696,430	782,225
Benefit Payments		(23,417,842)	(19,368,321)	(2,955,469)	(1,094,052)	0
Administrative Expenses		(1,616,076)	(1,341,850)	(149,259)	(107,125)	(17,842)
Transfers		0	1,954,512	(1,267,574)	(967,245)	280,307
Assets January 1, 2010		\$525,275,153	\$446,471,406	\$42,312,709	\$30,824,473	\$5,666,565
Prepayment Credits		0	(12,590,096)	5,650,955	5,244,885	1,694,256
Contributions		80,000,000	80,000,000	0	0	0
Earnings		77,320,884	63,718,906	7,172,774	5,384,228	1,044,976
Benefit Payments		(23,100,379)	(21,367,151)	(451,311)	(469,841)	(812,076)
Administrative Expenses		(1,668,474)	(1,374,963)	(154,778)	(116,184)	(22,549)
Transfers		0	2,807,363	(1,266,012)	(1,411,540)	(129,811)
Assets January 1, 2011		\$657,827,184	\$557,665,465	\$53,264,337	\$39,456,021	\$7,441,361
Prepayment Credits		0	(12,390,821)	5,334,690	5,195,739	1,860,392
Contributions		55,000,000	55,000,000	0	0	0
Earnings		(2,100,856)	(1,736,442)	(190,248)	(144,367)	(29,799)
Benefit Payments		(38,031,699)	(34,903,698)	(1,311,443)	(1,364,593)	(451,965)
Administrative Expenses		(1,491,803)	(1,233,035)	(135,094)	(102,514)	(21,160)
Transfers		0	2,497,237	(988,765)	(1,174,954)	(333,518)
Assets January 1, 2012		\$671,202,826	\$564,898,706	\$55,973,477	\$41,865,332	\$8,465,311

Description		Total Company	Other Segments	Palmetto Medicare Segment	TrailBlazer Medicare Segment	CDS Medicare Segment
Prepayment Credits		0	(6,932,126)	5,115,107	0	1,817,019
Contributions		45,000,000	45,000,000	0	0	0
Earnings		100,064,563	83,487,724	9,224,707	5,776,947	1,575,185
Benefit Payments		(44,963,025)	(33,426,739)	(2,569,104)	(8,826,455)	(140,727)
Administrative Expenses		(1,850,498)	(1,543,942)	(170,593)	(106,833)	(29,130)
Transfers		0	33,240,969	(2,938,679)	(29,044,880)	(1,257,410)
Discount on Accrued Contributions	8/	(1,380,956)	(1,380,956)	0	0	0
Assets January 1, 2013		\$768,072,910	\$683,343,636	\$64,634,915	\$9,664,111	\$10,430,248
Per BCBS South Carolina	9/	\$767,878,032	\$685,213,127	\$63,606,294	\$8,510,483	\$10,548,128
Asset Variance	10/	\$194,878	(\$1,869,491)	\$1,028,621	\$1,153,628	(\$117,880)

ENDNOTES

- 1/ We determined the Medicare segment pension assets as of January 1, 2008, based on the participant transfers from the Other and Medicare segments as of January 1, 2008. The amounts shown for the Other segment represent the difference between the Total Company 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 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.
- 4/ 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.
- 5/ We based the Medicare segment's benefit payments on actual payments to Medicare retirees. We obtained the benefit payments from documents provided by CDS.
- 6/ In accordance with the CAS, we allocated administrative expenses to each Medicare segment in proportion to investment earnings.
- 7/ We identified participant transfers between segments by comparing valuation data files provided by CDS. Asset transfers were equal to the actuarial liability determined under the accrued benefit cost method in accordance with the CAS.
- 8/ In accordance with the CAS Harmonization Rule, effective 2013, actual contributions are discounted, at the effective interest rate, from the date of each contribution to the beginning of the program year.
- 9/ We obtained total asset amounts from documents prepared by CDS's actuarial consulting firm.
- 10/ The asset variance represents the difference between our calculation of Medicare segment pension assets and CDS's calculation of the Medicare segment pension assets.

APPENDIX C: FEDERAL REQUIREMENTS RELATED TO PENSION SEGMENTATION

PENSION SEGMENTATION

Federal Regulations

Federal regulations (CAS 412.50(a)(4)) require 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.

Federal regulations (CAS 413.50(c)(7)) require 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 WAV of assets to Total Company WAV of assets.

Federal regulations (CAS 413.50(c)(8)) require 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.

**APPENDIX D: COMPANION DATA SERVICES, LLC,
COST ACCOUNTING STANDARDS BALANCE EQUATION
AS OF JANUARY 1, 2013**

Description		Total Company	All Other Segments	Palmetto Segment	CDS Segment	Trailblazers Segment
Actuarial Accrued Liability	<u>1/</u>	\$ 708,728,963	\$ 611,914,012	\$ 74,270,051	\$ 14,664,091	\$ 7,880,809
Less: Actuarial Value of Assets	<u>2/</u>	(747,369,407)	(664,775,522)	(63,005,954)	(10,167,380)	(9,420,551)
Unfunded Actuarial Liability		\$ (38,640,444)	\$ (52,861,510)	\$ 11,264,097	\$ 4,496,711	\$ (1,539,742)
9904.412-50(a)(2) Unallowable	<u>4/</u>	\$ -	\$ -	\$ -	\$ -	\$ -
Prepayment Credit	<u>5/</u>	(211,205,039)	(211,205,039)	-	-	-
Adjustments to UAL	<u>6/</u>	\$ (211,205,039)	\$ (211,205,039)	\$ -	\$ -	\$ -
Net Unamortized Balance	<u>7/</u>	\$ 172,564,595	\$ 158,343,529	\$ 11,264,097	\$ 4,496,711	\$ (1,539,742)
Market Value of Assets	<u>8/</u>	\$ 768,072,910	\$ 683,343,636	\$ 64,634,915	\$ 10,430,248	\$ 9,664,111

ENDNOTES

- 1/ Actuarial accrued liability (AAL) represents the pension cost attributable, under the actuarial cost method in use, to years prior to January 1, 2013. We obtained the total company AAL from the January 1, 2013, BCBS South Carolina actuarial valuation report. The AAL for the Other and Medicare segments was determined as a result of our audit.
- 2/ The actuarial value of assets (AVA) is value of cash, investments, and other property belonging to a pension plan, as used by the actuary for the purpose of an actuarial valuation. The AVA shown here was computed by the CMS Office of the Actuary, based on audited values as of January 1, 2013.
- 3/ The unfunded actuarial liability (UAL) is the AAL less the AVA as of January 1, 2013. An actuarial surplus, or negative UAL, is created whenever the AVA exceeds the AAL.
- 4/ The 9904.412-50(a)(2) unallowable represents the prior period pension costs determined to be unallowable in accordance with Government contractual provisions in effect at the time or pension costs assigned to a cost accounting period that were not funded in that period. This is an adjustment to the UAL required by CAS 412-50(a)(2).
- 5/ The prepayment credit represents funds available to satisfy future funding requirements. This is an adjustment to the AVA for premature funding of future pension costs required by CAS 412-50(a)(4).
- 6/ The sum of the adjustments to the UAL.
- 7/ The net unamortized balance is the UAL less the adjustments to the UAL. It is the remaining balance yet to be amortized in accordance with CAS 412-50(a)(1) and CAS 413-50(a)(2).
- 8/ The market value of assets represents the current value of assets as of January 1, 2013, plus the current value of any accrued contributions used to fund pension costs assigned to periods prior to January 1, 2013.

June 13, 2017

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

Subject: CDS Draft Audit Report – No. A-07-17-00512

Mr. Cogley,

We are responding to the U.S. Department of Health and Human Services, Office of Inspector General, draft report dated May 16, 2017 and entitled *Companion Data Services, LLC Overstated Its Medicare Segment Pension Assets*. The report recommends that Companion Data Services, LLC (CDS) decrease its Medicare segment pension assets as of January 1, 2013, by \$118,000 and recognize \$10.430 million as the CDS Medicare segment pension assets, and establish policies and procedures to ensure compliance with Federal regulations.

CDS accepts the OIG recommendations and will establish policies and procedures to ensure compliance with Federal regulations. .

Please let me know if you have questions or need additional information regarding our response.

Sincerely,

/Jim Dotson/

Jim Dotson
Vice President and Chief Financial Officer
Companion Data Services
2401 Faraway Drive, AF-789
Columbia, SC 29219
Phone: 803-264-0703