

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**TRUSTSOLUTIONS, LLC,
PROPERLY UPDATED THE
MEDICARE SEGMENT
PENSION ASSETS AS OF
DECEMBER 31, 2012**

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Office of Inspector General

<https://oig.hhs.gov/>

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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: October 2018

Report No. A-07-18-00539

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



Why OIG Did This Review

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 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 objectives were to determine whether TrustSolutions, LLC (TrustSolutions), complied with Federal requirements and the Program Safeguard Contract Medicare contracts' pension segmentation requirements when (1) implementing the prior audit recommendation to increase the Medicare segment pension assets as of January 1, 2010, and (2) updating the Medicare segment pension assets from January 1, 2010, to December 31, 2012.

How OIG Did This Review

We reviewed TrustSolutions's implementation of the prior audit recommendation, its identification of its Medicare segment, and its update of the Medicare segment pension assets from January 1, 2010, to December 31, 2012.

TrustSolutions, LLC, Properly Updated the Medicare Segment Pension Assets as of December 31, 2012

What OIG Found

TrustSolutions implemented the prior audit recommendation to recognize \$1.2 million as the Medicare segment pension assets as of January 1, 2010. In addition, TrustSolutions properly updated the Medicare segment pension assets from January 1, 2010, to December 31, 2012. Therefore, the assets presented by TrustSolutions of \$409,832 as of December 31, 2012, were reasonable and correct. Accordingly, this report contains no recommendations.

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Office of Inspector General Note—Appendix B contains proprietary and confidential financial information and, at Federal Government Solutions’ request, has been redacted from the publicly available version of this report.

INTRODUCTION

WHY WE DID THIS REVIEW

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 fiscal intermediaries and carrier contractors, Medicare administrative contractors (MACs), and other CAS-covered and Federal Acquisition Regulation (FAR)-covered contracts through Final Administrative Cost Proposals and/or Incurred Cost Proposals.

For this review, we focused on one entity, TrustSolutions, LLC (TrustSolutions). In particular, we examined the Medicare segment pension assets that TrustSolutions updated from January 1, 2010, to December 31, 2012.

OBJECTIVES

Our objectives were to determine whether TrustSolutions complied with Federal requirements and the Program Safeguard Contract (PSC) Medicare contracts' pension segmentation requirements when (1) implementing the prior audit recommendation to increase the Medicare segment pension assets as of January 1, 2010, and (2) updating the Medicare segment pension assets from January 1, 2010, to December 31, 2012.

BACKGROUND

TrustSolutions, LLC, and Medicare

TrustSolutions is a wholly owned company of Anthem, Inc.¹ TrustSolutions administers the PSC under cost reimbursement contracts with CMS.² The PSC was originally awarded to United Government Solutions, LLC (UGS), in 1999. On September 30, 2002, the PSC was novated from

¹ In 2003, Blue Cross Blue Shield United of Wisconsin and United Government Services, LLC (UGS), were purchased by WellPoint Health Networks, Inc. (WHN). WHN merged with Anthem, Inc., on November 30, 2004, and Anthem then changed its name to WellPoint. Effective December 2014, WellPoint changed its name to Anthem, Inc.

² PSCs were established under the Medicare Integrity Program, which itself was created by section 202 of the Health Insurance Portability and Accountability Act of 1996, P.L. No. 104-191, which added section 1893 to the Social Security Act.

UGS to TrustSolutions. After that date, UGS continued administering Medicare operations under the National Government Services, Inc. (NGS), consolidation.³ Although UGS consolidated with NGS, the UGS Pension Plan remained a stand-alone pension plan. The UGS Pension Plan contains two Medicare segments: the UGS Medicare segment and the TrustSolutions Medicare segment. The TrustSolutions segment was primarily created from UGS Medicare segment employees who transferred out of the UGS Medicare segment into the TrustSolutions segment. Effective December 31, 2012, with the loss of the PSC contract, the TrustSolutions Medicare segment closed.

This report addresses the TrustSolutions Medicare segment pension assets and its compliance with Federal regulations and the PSC requirements. We are separately reviewing the UGS Medicare segment pension assets. Although we are addressing this report to FGS, we will associate the term TrustSolutions with our discussions of our prior audit and of the results of this review.

Prior Pension Segmentation Audit

We performed a prior pension segmentation audit at TrustSolutions (A-07-14-00449, issued May 28, 2015), which brought the Medicare segment pension assets to January 1, 2010. We recommended that TrustSolutions increase its Medicare segment pension assets by \$105,243 and, as a result, recognize \$1,222,549 as the Medicare segment pension assets.

HOW WE CONDUCTED THIS REVIEW

We reviewed TrustSolutions' implementation of the prior audit recommendation, its identification of its Medicare segment, and its update of the Medicare segment pension assets from January 1, 2010, to December 31, 2012.

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.

³ Effective November 17, 2006, a consolidation of certain Medicare operations occurred, forming a new subsidiary of WellPoint, Inc., called NGS. NGS is a wholly owned subsidiary of Federal Government Solutions (FGS), a holding company created and owned by Anthem, Inc. (formerly WellPoint, Inc.). Effective December 2014, WellPoint changed its name to Anthem, Inc.

RESULTS OF REVIEW

TrustSolutions implemented the prior audit recommendation to recognize \$1,222,549 as the Medicare segment pension assets as of January 1, 2010. In addition, TrustSolutions properly updated the Medicare segment pension assets from January 1, 2010, to December 31, 2012. Therefore, the assets presented by TrustSolutions of \$409,832 as of December 31, 2012, were reasonable and correct. Accordingly, this report contains no recommendations.

Our audit work included the development of an appendix that contained proprietary and confidential financial information, which FGS asked us to redact from any publicly available posting of this report. In response to FGS's request, we have removed the appendix in question from the publicly available version of this final report. We are separately providing this report with this appendix in its entirety to CMS.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

We reviewed TrustSolutions' implementation of the prior audit recommendation, its identification of its Medicare segment, and its update of Medicare segment pension assets from January 1, 2010, to December 31, 2012.

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

We performed audit work at our office located in Jefferson City, Missouri.

METHODOLOGY

To accomplish our objective, we:

- reviewed the portions of the FAR, CAS, and Medicare contracts applicable to this audit;
- reviewed the annual actuarial valuation reports prepared by Anthem's actuarial consulting firms, which included the pension plan's assets, liabilities, normal costs, contributions, benefit payments, investment earnings, and administrative expenses, and used this information to calculate the Medicare segment assets;
- obtained and reviewed the pension plan documents and Department of Labor/Internal Revenue Service Forms 5500 used in calculating the Medicare segment assets;
- interviewed Anthem staff responsible for identifying the Medicare segment to determine whether the segment was properly identified in accordance with the Medicare contracts;
- reviewed TrustSolutions' accounting records to verify the Medicare segment's identification as well as the benefit payments made to the Medicare segment;
- reviewed the prior segmentation audit performed at TrustSolutions (A-07-14-00449) to determine the beginning market value of assets for the Medicare segment;
- gave the CMS Office of the Actuary, which provides technical actuarial advice, the actuarial information necessary for it to calculate the Medicare segment pension assets from January 1, 2010, to December 31, 2012;

- reviewed the CMS actuaries' methodology and calculations; and
- provided the results of our review to NGS officials on August 31, 2018.

We performed this review in conjunction with the following audit and used the information obtained during this audit: *United Government Services, LLC, Properly Updated the Medicare Segment Pension Assets as of January 1, 2015 (A-07-18-00538)*.

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.