

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**TRUSTSOLUTIONS, LLC,
DID NOT CLAIM SOME ALLOWABLE
MEDICARE PENSION COSTS THROUGH
ITS INCURRED COST PROPOSALS**

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February 2019
A-07-18-00540

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: February 2019

Report No. A-07-18-00540

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



Why OIG Did This Review

The Centers for Medicare & Medicaid Services (CMS) reimburses contractors for a portion of their pension costs, which are funded by the annual contributions that contractors make to their pension plans.

At CMS's request, the HHS, OIG, Office of Audit Services, Region VII pension audit team reviews the cost elements related to qualified defined-benefit plans and any other pension-related cost elements claimed by Medicare contractors through Incurred Cost Proposals (ICPs).

Previous OIG reviews found that Medicare contractors have not always complied with Federal requirements when claiming pension costs for Medicare reimbursement.

Our objective was to determine whether the calendar years (CYs) 2010 and 2011 pension costs that TrustSolutions, LLC (TrustSolutions), claimed for Medicare reimbursement, and reported on its ICPs, were allowable and correctly claimed.

How OIG Did This Review

We reviewed the Medicare pension costs that TrustSolutions and affiliated entities reported on a series of ICPs, including the TrustSolutions segment, for CYs 2010 and 2011.

TrustSolutions, LLC, Did Not Claim Some Allowable Medicare Pension Costs Through Its Incurred Cost Proposals

What OIG Found

TrustSolutions claimed Medicare pension costs of \$0 for Medicare reimbursement, through its ICPs, for CYs 2010 and 2011. However, we determined that the allowable Cost Accounting Standards-based pension costs during this period were \$1,944. The difference, \$1,944, represented allowable Medicare pension costs that TrustSolutions did not claim on its ICPs for CYs 2010 and 2011. TrustSolutions did not claim these allowable Medicare pension costs primarily because it chose not to claim Medicare pension costs on its ICPs.

What OIG Recommends and Auditee Comments

We recommend that TrustSolutions work with CMS to ensure that its final settlement of contract costs reflects an increase in Medicare pension costs of \$1,944 for CYs 2010 and 2011.

National Government Services, Inc. (of which TrustSolutions is a subsidiary), concurred with our finding and recommendation and said that it would work with CMS to ensure that final settlement of contract costs reflects an increase in reimbursement for the Medicare pension costs noted in our report.

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INTRODUCTION

WHY WE DID THIS REVIEW

Medicare contractors are eligible to be reimbursed a portion of their pension costs, which are funded by the annual contributions that these contractors make to their pension plans. The amount of pension costs that the Centers for Medicare & Medicaid Services (CMS) reimburses to the contractors is determined by the cost reimbursement principles contained in the Federal Acquisition Regulation (FAR), Cost Accounting Standards (CAS), and the Medicare contracts. Previous Office of Inspector General reviews found that Medicare contractors have not always complied with Federal requirements when claiming pension costs for Medicare reimbursement.

At CMS's request, the U.S. Department of Health and Human Services (HHS), 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 and Medicare administrative contractors (MACs) through Final Administrative Cost Proposals and/or Incurred Cost Proposals (ICPs).

For this review, we focused on one Medicare contractor, TrustSolutions, LLC (TrustSolutions). In particular, we examined the TrustSolutions Medicare segment pension costs that TrustSolutions claimed for Medicare reimbursement and reported on its ICPs.

OBJECTIVE

Our objective was to determine whether the calendar years (CYs) 2010 and 2011 pension costs that TrustSolutions claimed for Medicare reimbursement, and reported on its ICPs, were allowable and correctly claimed.

BACKGROUND

TrustSolutions, LLC

TrustSolutions is a wholly owned company of Anthem, Inc.¹ TrustSolutions administered the Program Safeguard Contract (PSC) under cost reimbursement contracts with CMS until it terminated Medicare and other operations in May 2012 (after our audit period).² The PSC was originally awarded to United Government Solutions, LLC (UGS), in CY 1999. On September 30, 2002, the PSC was novated from UGS to TrustSolutions. After that date, UGS continued

¹ Effective December 2014, WellPoint, Inc. 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.

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. Effective December 31, 2012, with the loss of the PSC contract, the TrustSolutions Medicare segment closed.⁴

This report addresses the TrustSolutions Medicare segment pension costs and its compliance with Federal regulations and the PSC requirements. Although we are addressing this report to NGS, we will associate the term TrustSolutions with our discussions of the results of this review.

Medicare Reimbursement of Pension Costs

CMS reimburses a portion of the annual contributions that contractors make to their pension plans. The pension costs are included in the computation of the indirect cost rates reported on the ICPs. In turn, CMS uses indirect cost rates in reimbursing costs under cost-reimbursement contracts. To be allowable for Medicare reimbursement, pension costs must be (1) measured, assigned, and allocated in accordance with CAS 412 and 413 and (2) funded as specified by part 31 of the FAR. In claiming costs, contractors must follow cost reimbursement principles contained in the FAR, the CAS, and the Medicare contracts. The cognizant Contracting Officer will perform a final settlement with the contractor to determine the final indirect cost rates. These rates ultimately determine the final costs of each contract.⁵

Incurred Cost Proposal Audits

At CMS's request, the Defense Contracting Audit Agency (DCAA) and CliftonLarsenAllen LLP (CLA) performed audits of the ICPs that TrustSolutions submitted for CYs 2010 and 2011. The objectives of the DCAA and CLA reviews were to determine whether the costs were allowable in accordance with the FAR and the HHS Acquisition Regulation.

For this audit, we relied on the DCAA and CLA audits' findings and recommendations when computing the allowable pension costs discussed in this report.

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

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.).

⁴ TrustSolutions had not submitted its CY 2012 ICP at the time of our review. Therefore we could not review the CY 2012 pension costs for the PSC contract.

⁵ In accordance with FAR 42.705-1(b)(5)(ii) and FAR 42.705-1(b)(5)(iii)(B), the cognizant Contracting Officer shall "[p]repare a written indirect cost rate agreement conforming to the requirements of the contracts" and perform a "[r]econciliation of all costs questioned, with identification of items and amounts allowed or disallowed in the final settlement," respectively.

FAR. CMS will use our report on allowable pension costs, as well as the DCAA and CLA audit reports, to determine the final indirect cost rates and the total allowable contract costs for TrustSolutions for CYs 2010 and 2011.

HOW WE CONDUCTED THIS REVIEW

We reviewed the Medicare pension costs that TrustSolutions and affiliated entities reported on a series of ICPs, including the TrustSolutions segment, for CYs 2010 and 2011.⁶

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

TrustSolutions did not claim any Medicare pension costs for Medicare reimbursement, through its ICPs, for CYs 2010 and 2011. However, we determined that the allowable CAS-based pension costs during this period were \$1,944. The difference, \$1,944, represented allowable Medicare pension costs that TrustSolutions did not claim on its ICPs for CYs 2010 and 2011.

TrustSolutions did not claim these allowable Medicare pension costs primarily because it chose not to claim Medicare pension costs on its ICPs.

CLAIMED MEDICARE PENSION COSTS

TrustSolutions claimed pension costs of \$0 for CYs 2010 and 2011. We calculated the allowable Medicare pension costs based on separately computed CAS-based pension costs for the Medicare segment in accordance with CAS 412 and 413.

ALLOWABLE MEDICARE PENSION COSTS NOT CLAIMED

After incorporating the results of the DCAA and CLA ICP audits, we determined that the allowable CAS-based pension costs for CYs 2010 and 2011 were \$1,944. Thus, TrustSolutions did not claim \$1,944 of allowable Medicare pension costs on its ICPs for CYs 2010 and 2011. This underclaim occurred primarily because TrustSolutions chose not to claim direct Medicare pension costs on its ICPs.

⁶ TrustSolutions's ICPs included only direct costs related to the Medicare segment. We followed TrustSolutions's methodology, and for that reason our audited costs include only direct costs related to the TrustSolutions Medicare segment.

During this audit, we determined the allocable pension costs for the Medicare segment and then used those costs to determine the allowable pension costs for Medicare reimbursement. Table 1 below shows the allocable CAS-based pension costs that we determined for the Medicare segment for CYs 2010 and 2011.

Table 1: Comparison of Allocable Pension Costs for the Medicare Segment

Calendar Year	Allocable Per Audit	Per TrustSolutions	Difference
2010	\$40,460	\$40,460	\$0
2011	1,577	1,577	0
Total	\$42,037	\$42,037	\$0

We then used this information to adjust the indirect cost rates (i.e., fringe, general and administrative, and overhead rates) and, in turn, to calculate the information presented in Table 2 below. Our calculation is not presented in this report because the rate calculations that TrustSolutions used in its ICPs, and to which we referred as part of our review, are proprietary information.

Accordingly, Table 2 below compares the Medicare pension costs that we calculated (using our adjusted indirect cost rates) to the pension costs that TrustSolutions claimed for Medicare reimbursement for CYs 2010 and 2011.

Table 2: Medicare Pension Costs⁷

Calendar Year	Per Audit	Per TrustSolutions	Difference
2010	\$0	\$0	\$0
2011	1,944	0	1,944
Total Underclaim of Pension Costs	\$1,944	\$0	\$1,944

RECOMMENDATION

We recommend that TrustSolutions work with CMS to ensure that its final settlement of contract costs reflects an increase in Medicare pension costs of \$1,944 for CYs 2010 and 2011.

AUDITEE COMMENTS

In written comments on our draft report, NGS concurred with our finding and recommendation and said that it would work with CMS to ensure that final settlement of contract costs reflects an increase in reimbursement for the Medicare pension costs noted in our report. NGS's comments appear in their entirety as Appendix C.

⁷ Our calculations incorporated the rate ceilings associated with the PSC contract. We applied the indirect cost rates associated with these contracts when computing the allowable pension costs for the PSC contract. The amounts identified in this table represent the allowable Medicare pension costs during our audit period and do not represent the total allowable costs on the ICPs.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

We reviewed the Medicare pension costs that TrustSolutions and affiliated entities reported on a series of ICPs, including the TrustSolutions segment, for CYs 2010 and 2011.

Achieving our objective did not require that we review TrustSolutions's overall internal control structures. We limited our review to the internal controls related to the pension costs that were included in TrustSolutions's ICPs and ultimately used as the basis for Medicare reimbursement, to ensure that the pension costs were allocable in accordance with the CAS and allowable in accordance with the FAR.

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 information provided by TrustSolutions to identify the amount of pension costs used in TrustSolutions's calculation of its indirect cost rates for CYs 2010 and 2011;
- reviewed the results of DCAA's and CLA's ICP audits and incorporated those results into our calculations of TrustSolutions's indirect cost rates for CYs 2010 and 2011;
- provided the results of our review to NGS officials on November 20, 2018.

We performed this review in conjunction with the following audit and used the information obtained during this audit: *TrustSolutions, LLC, Properly Updated the Medicare Segment Pension Assets as of December 31, 2012 (A-07-18-00539, Oct. 16, 2018)*.

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 B: FEDERAL REQUIREMENTS RELATED TO REIMBURSEMENT OF PENSION COSTS

FEDERAL REGULATIONS

Federal regulations (FAR 52.216-7(a)(1)) address the invoicing requirements and the allowability of payments as determined by the Contracting Officer in accordance with FAR subpart 31.2.

Federal regulations (FAR 31.205-6(j)) require Medicare contractors to measure, assign, and allocate the costs of all defined-benefit pension plans in accordance with CAS 412 and 413. These regulations also address the allowability of pension costs and require that contractors fund the pension costs assigned to contract periods by making contributions to the pension plan.

Federal regulations (CAS 412) (as amended) address the determination and measurement of pension cost components. These regulations also address the assignment of pension costs to appropriate accounting periods.

Federal regulations (CAS 413) (as amended) address the valuation of pension assets, allocation of pension costs to segments of an organization, adjustment of pension costs for actuarial gains and losses, and assignment of gains and losses to cost accounting periods.

MEDICARE CONTRACTS

The Medicare contracts require TrustSolutions to submit invoices in accordance with FAR 52.216-7, "Allowable Cost & Payment." (See our citation to FAR 52.216-7(a)(1) in "Federal Regulations" above.)



A CMS Medicare Administrative Contractor
<http://www.NGSMedicare.com>

January 16, 2019

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

Reference: Report Number A-07-18-00540
Dear Mr. Cogley:

We have received the draft audit report from the Inspector General entitled "TrustSolutions, LLC, Did Not Claim Some Allowable Medicare Pension Costs Through its Incurred Cost Proposals" and thank you for the opportunity to respond.

We concur with the finding and recommendation outlined in the report and will work with the Centers for Medicare & Medicaid Services to ensure that final settlement of contract costs reflect an increase in reimbursement for Medicare pension costs noted in the report.

We appreciate the opportunity to respond to this draft report. If you have any further questions, I can be reached at 414-207-2517 or via email at todd.reiger@anthem.com.

Sincerely,

/s/Todd W. Reiger

Todd W. Reiger, CPA
Medicare Chief Financial Officer
National Government Services, Inc.

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