

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**NATIONAL GOVERNMENT
SERVICES, INC., PROPERLY
UPDATED THE PLAN B MEDICARE
SEGMENT PENSION ASSETS AS OF
JANUARY 1, 2015**

*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

October 2018
A-07-18-00542

Office of Inspector General

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

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

Office of Audit Services

The Office of Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

Office of Evaluation and Inspections

The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. These evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness of departmental programs. To promote impact, OEI reports also present practical recommendations for improving program operations.

Office of Investigations

The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of fraud and misconduct related to HHS programs, operations, and beneficiaries. With investigators working in all 50 States and the District of Columbia, OI utilizes its resources by actively coordinating with the Department of Justice and other Federal, State, and local law enforcement authorities. The investigative efforts of OI often lead to criminal convictions, administrative sanctions, and/or civil monetary penalties.

Office of Counsel to the Inspector General

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support for OIG's internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.

Notices

THIS REPORT IS AVAILABLE TO THE PUBLIC
at <https://oig.hhs.gov>

Section 8M of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG website.

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: October 2018

Report No. A-07-18-00542

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 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 National Government Services, Inc. (NGS), complied with Federal requirements and the Medicare contracts' pension segmentation requirements when updating the NGS Plan B Medicare segment pension assets from January 1, 2011, to January 1, 2015.

How OIG Did This Review

We reviewed NGS's identification of its Plan B Medicare segment and its update of the Plan B Medicare segment pension assets from January 1, 2011, to January 1, 2015.

National Government Services, Inc., Properly Updated the Plan B Medicare Segment Pension Assets as of January 1, 2015

What OIG Found

NGS properly updated the Plan B Medicare segment pension assets from January 1, 2011, to January 1, 2015. Therefore, the Plan B Medicare segment assets presented by NGS of \$16.3 million as of January 1, 2015, were reasonable and correct. Accordingly, this report contains no recommendations.

TABLE OF CONTENTS

INTRODUCTION.....	1
Why We Did This Review	1
Objective	1
Background	1
National Government Services, Inc., and Medicare	1
How We Conducted This Review	3
RESULTS OF REVIEW	3
APPENDICES	
A: Audit Scope and Methodology	4
B: Statement of Medicare Segment Pension Assets for the Anthem Cash Balance Pension Plan B for the Period January 1, 2011, to January 1, 2015	6
C: National Government Services, Inc., Cost Accounting Standards Balance Equation as of January 1, 2015	8

Office of Inspector General Note—Appendices B and C contain proprietary and confidential financial information and, at NGS’s request, have 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, National Government Services, Inc. (NGS). In particular, we examined the Other segment and Plan B Medicare segment pension assets that NGS updated from January 1, 2011, to January 1, 2015.

OBJECTIVE

Our objective was to determine whether NGS complied with Federal requirements and the Medicare contracts' pension segmentation requirements when updating the NGS Plan B Medicare segment pension assets from January 1, 2011, to January 1, 2015.

BACKGROUND

National Government Services, Inc., and Medicare

NGS is a wholly owned subsidiary of Federal Government Solutions, which is a holding company created and owned by Anthem Inc. (formerly WellPoint, Inc.). NGS administered Medicare Parts A and B under cost reimbursement contracts with CMS until its contractual relationships ended August 20, 2012, and July 13, 2013. Effective November 17, 2006, WellPoint consolidated its Government contracting segments into one segment, AdminaStar, which included the following Government contracting segments: AdminaStar; Anthem Maine; Anthem Health Plans of New Hampshire, Inc.; United Government Services, LLC (UGS); and WellChoice, Inc. (formerly Empire). As of that same date, AdminaStar changed its corporate name to NGS.

Although this consolidation included the UGS Medicare segment participants, the WellPoint Cash Balance Pension Plans and the UGS Pension Plan remain stand-alone pension plans.¹

With the implementation of Medicare contracting reform,² NGS continued to perform Medicare work as a MAC. NGS was awarded the MAC contracts for Medicare Durable Medical Equipment (DME) and Medicare Parts A and B, Jurisdiction B and Jurisdiction 13, effective January 1, 2006, and March 18, 2008, respectively.^{3,4} NGS continued its MAC work after again being awarded the DME contract, Jurisdiction B, on September 7, 2010. NGS was also awarded the Medicare Parts A and B contracts (which include home health and hospital services) for Jurisdiction 6 and K, effective September 27, 2012, and February 22, 2013, respectively.^{5,6}

Effective January 1, 2011, Anthem created a new plan called WellPoint Cash Balance Pension Plan B and transferred assets from the WellPoint Cash Balance Pension Plan⁷ to the WellPoint Cash Balance Pension Plan B. The WellPoint Cash Balance Pension Plan A was frozen to new entrants and ceased accruing benefits to employees. The WellPoint Cash Balance Pension Plan B was comprised of active employees currently accruing benefits as of January 1, 2011, or disabled employees who continued to be disabled and accruing benefits as of January 1, 2011. In addition, on December 2, 2014, WellPoint, Inc., changed its name to Anthem Inc., and changed the names of its qualified plans to Anthem Cash Balance Pension Plan A (Plan A) and Anthem Cash Balance Pension Plan B (Plan B).

¹ The UGS Pension Plan includes the TrustSolutions Medicare segment, which is maintained as a separate segment and was not included in NGS's consolidation of its Government contracting segments. We will separately review the allocable pension costs that Trust Solutions used to calculate its indirect cost rates under the provisions of its Program Safeguard Contracts.

² 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 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.

³ DME Jurisdiction B consists of the States of Illinois, Indiana, Kentucky, Michigan, Minnesota, Ohio, and Wisconsin.

⁴ Medicare Parts A and B Jurisdiction 13 consists of the States of New York and Connecticut.

⁵ Medicare Part A and B Jurisdiction 6 consists of the States of Illinois, Minnesota, and Wisconsin. NGS's jurisdiction for home health and hospice services consists of the States of Alaska, Arizona, California, Hawaii, Idaho, Michigan, Minnesota, Nevada, New Jersey, New York, Oregon, Washington, and Wisconsin, and the U.S. Territories of American Samoa, Guam, Northern Mariana Islands, Puerto Rico, and U.S. Virgin Islands.

⁶ Medicare Parts A and B Jurisdiction K consists of the States of New York, Connecticut, Massachusetts, Rhode Island, Vermont, Maine, and New Hampshire. NGS's jurisdiction for home health and hospice services consists of the States of Connecticut, Massachusetts, Rhode Island, Vermont, Maine, and New Hampshire.

⁷ On January 1, 2012, the WellPoint Cash Balance Pension Plan was renamed the WellPoint Cash Balance Pension Plan A.

This report addresses the Medicare segment pension assets for Plan B for the period January 1, 2011, to January 1, 2015. We are addressing the Medicare segment pension assets for the UGS Plan and Plan A in a separate review.

HOW WE CONDUCTED THIS REVIEW

We reviewed NGS's identification of its Plan B Medicare segment and its update of the Plan B Medicare segment pension assets from January 1, 2011, to January 1, 2015.

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.

RESULTS OF REVIEW

NGS properly updated the Plan B Medicare segment pension assets from January 1, 2011, to January 1, 2015. Therefore, the Plan B Medicare segment assets presented by NGS of \$16,283,408 as of January 1, 2015, were reasonable and correct. Accordingly, this report contains no recommendations.

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

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

We reviewed NGS's identification of its Plan B Medicare segment and its update of the Plan B Medicare segment pension assets from January 1, 2011, to January 1, 2015.

Achieving our objective did not require that we review NGS's 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 Plan B Medicare segment assets;
- obtained and reviewed the pension plan documents and Department of Labor/Internal Revenue Service Forms 5500 used in calculating the Plan B Medicare segment assets;
- interviewed Anthem and NGS staff responsible for identifying the Plan B Medicare segment to determine whether the segment was properly identified in accordance with the Medicare contracts;
- reviewed NGS's accounting records to verify the Plan B Medicare segment's identification as well as the benefit payments made from the Plan B Medicare segment;
- provided the CMS Office of the Actuary, which provides technical actuarial advice, with the actuarial information necessary for it to calculate the Plan B Medicare segment pension assets from January 1, 2011, to January 1, 2015;
- reviewed the CMS actuaries' methodology and calculations; and
- provided the results of our review to NGS officials on August 13, 2018.

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

- *National Government Services, Inc., Understated Its Plan A Medicare Segment Pension Assets (A-07-18-00541).*
- *National Government Services, Inc., Claimed Some Unallowable Medicare Pension Costs (A-07-18-00543).*

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.