

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**UNITED GOVERNMENT SERVICES,
LLC, PROPERLY UPDATED THE
MEDICARE SEGMENT
PENSION ASSETS AS OF
JANUARY 1, 2015**

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Office of Inspector General

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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-07-18-00538

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 United Government Services, LLC (UGS), complied with Federal requirements and the Medicare contracts' pension segmentation requirements when (1) implementing the prior audit recommendation to decrease the Medicare segment pension assets as of January 1, 2010, and (2) updating the Medicare segment pension assets from January 1, 2010, to January 1, 2015.

How OIG Did This Review

We reviewed UGS'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 January 1, 2015.

United Government Services, LLC, Properly Updated the Medicare Segment Pension Assets as of January 1, 2015

What OIG Found

UGS implemented the prior audit recommendation to recognize \$4.3 million as the Medicare segment pension assets as of January 1, 2010. In addition, UGS properly updated the Medicare segment pension assets from January 1, 2010, to January 1, 2015. Therefore, the assets presented by UGS of \$3.0 million as of January 1, 2015, were reasonable and correct. Accordingly, this report contains no recommendations.

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Office of Inspector General Note—Appendices B and C contain proprietary and confidential financial information and, at Federal Government Solutions’ 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, United Government Services, LLC (UGS). In particular, we examined the Medicare segment pension assets that UGS updated from January 1, 2010, to January 1, 2015.

OBJECTIVES

Our objectives were to determine whether UGS complied with Federal requirements and the Medicare contracts' pension segmentation requirements when (1) implementing the prior audit recommendation to decrease the Medicare segment pension assets as of January 1, 2010, and (2) updating the Medicare segment pension assets from January 1, 2010, to January 1, 2015.

BACKGROUND

United Government Services, LLC, and Medicare

During our audit period, UGS administered Medicare Part A operations under cost reimbursement contracts with the CMS until its contract ended on July 13, 2013. After that date, UGS continued administering Medicare operations under the National Government Services, Inc. (NGS), consolidation.¹ 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.

¹ 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.

With the implementation of Medicare contracting reform,² UGS continued to perform Medicare work under the consolidated NGS segment. 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 hospice services) for Jurisdiction 6 and K, effective September 27, 2012, and February 22, 2013, respectively.^{5,6}

This report addresses the Medicare segment pension assets for the UGS Pension Plan for the period January 1, 2010, to January 1, 2015. We are addressing the TrustSolutions Medicare segment pension assets in a separate review. Although we are addressing this report to FGS, we will associate the term UGS 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 UGS (A-07-14-00447, May 26, 2015), which brought the Medicare segment pension assets to January 1, 2010. We recommended that UGS increase its Medicare segment pension assets by \$6,871 and, as a result, recognize \$4,338,222 as the Medicare segment pension assets as of January 1, 2010.

HOW WE CONDUCTED THIS REVIEW

We reviewed UGS'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 January 1, 2015.

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.

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

UGS implemented the prior audit recommendation to recognize \$4,338,222 as the Medicare segment pension assets as of January 1, 2010. In addition, UGS properly updated the Medicare segment pension assets from January 1, 2010, to January 1, 2015. Therefore, the assets presented by UGS of \$2,998,678 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 FGS asked us to redact from any publicly available posting of this report. In response to FGS'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 UGS's 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 January 1, 2015.

Achieving our objective did not require that we review UGS'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 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 UGS's accounting records to verify the Medicare segment's identification as well as the benefit payments made from the Medicare segment;
- reviewed the prior segmentation audit performed at UGS (A-07-14-00447) 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 January 1, 2015;

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

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

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.