Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

NATIONAL GOVERNMENT SERVICES, INC., CLAIMED SOME UNALLOWABLE MEDICARE NONQUALIFIED PLANS COSTS THROUGH ITS FINAL ADMINISTRATIVE COST PROPOSALS

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

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Deputy Inspector General
for Audit Services

September 2019
A-07-19-00563

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: September 2019
Report No. A-07-19-00563

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

Why OIG Did This Review

The Centers for Medicare & Medicaid Services (CMS) reimburses a portion of its contractors' nonqualified pension plan costs.

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 fiscal intermediaries and carrier contractors through Final Administrative Cost Proposals (FACPs).

Previous OIG reviews found that Medicare contractors did not always correctly identify and claim nonqualified pension costs.

Our objective was to determine whether the fiscal years (FYs) 2007 through 2013 nonqualified plans costs that National Government Services, Inc. (NGS), claimed for reimbursement under its fiscal intermediary and carrier contracts, and reported on its FACPs, were allowable and correctly claimed.

How OIG Did This Review

We reviewed $624,697 of Medicare nonqualified plans costs that NGS claimed for Medicare reimbursement on its FACPs for FYs 2007 through 2013.

National Government Services, Inc., Claimed Some Unallowable Medicare Nonqualified Plans Costs Through Its Final Administrative Cost Proposals

What OIG Found

NGS claimed nonqualified plans costs of $624,697 for Medicare reimbursement for FYs 2007 through 2013; however, we determined that the allowable nonqualified plans costs during this period were $198,574. The difference, $426,123, represented unallowable fiscal intermediary and carrier contract nonqualified plans costs that NGS claimed on its FACPs for FYs 2007 through 2013. NGS claimed these unallowable nonqualified plans costs primarily because it did not calculate those costs in accordance with Federal regulations and the Medicare contracts' requirements.

What OIG Recommends and Auditee Comments

We recommend that NGS revise its FACPs for FYs 2007 through 2013 to reduce its claimed nonqualified plans costs by $426,123.

NGS did not specifically agree or disagree with our finding and recommendation. NGS did not dispute our classification of the Empire Plan as a deferred compensation plan, but it asked us to reconsider our approach to FYs 2000 through 2006 costs associated with an entity (Empire) that was subsequently consolidated into NGS. NGS referred to other FACP audits of those costs and stated that an adjustment had been proposed to CMS to change the historical treatment of the Empire costs to be consistent with NGS's practice for its other pension plans.

The FACP audits that reviewed Empire's costs for FYs 2000 through 2006, most of which were performed by independent accounting firms, did not properly identify the plan type before making determinations as to allowable costs. Moreover, the FYs 2000 through 2006 timeframe was outside our audit period, and as a result, we cannot opine as to whether the costs associated with FYs 2000 through 2006 are allowable.

Finally, NGS did not give us a CMS-approved copy of the proposal to change the cost accounting methodology. Even if NGS had done so, we are required to audit to the criteria relevant to the plan we are reviewing. In this case, those criteria are Cost Accounting Standards 415, based on the Federal Acquisition Regulation's mandate that if a plan (like Empire) does not offer a payment for life, it is not considered a pension plan. In view of these considerations, we maintain that our finding and recommendation remain valid.

The full report can be found at https://oig.hhs.gov/oas/reports/region7/71900563.asp.

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INTRODUCTION

WHY WE DID THIS REVIEW

The Centers for Medicare & Medicaid Services (CMS) reimburses a portion of its contractors' nonqualified pension plan costs. In claiming nonqualified pension plan costs, contractors must follow cost reimbursement principles contained in the Federal Acquisition Regulation (FAR), Cost Accounting Standards (CAS), and the Medicare contracts. Previous Office of Inspector General (OIG) reviews found that Medicare contractors did not always correctly identify and claim nonqualified pension costs.

At CMS's request, the OIG, 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 (FACPs), Incurred Cost Proposals, or both.

For this review, we focused on one entity, National Government Services, Inc. (NGS). In particular, we examined the allowable Medicare segment nonqualified plans costs that NGS claimed for Medicare reimbursement on its FACPs.

OBJECTIVE

Our objective was to determine whether the fiscal years (FYs) 2007 through 2013 nonqualified plans costs that NGS claimed for reimbursement under its fiscal intermediary and carrier contracts, and reported on its FACPs, were allowable and correctly claimed.

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 on July 13, 2013, and August 20, 2012, respectively. Effective November 17, 2006, WellPoint consolidated its Government contracting segments into one segment, AdminaStar Federal, Inc. (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.

With the implementation of Medicare contracting reform,[1] 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.[2, 3] 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 Jurisdiction K, effective September 27, 2012, and February 22, 2013, respectively.[4, 5]

Nonqualified Plans

During our audit period, some NGS employees participated in Anthem's nonqualified plans. Anthem sponsors two nonqualified plans: the Anthem, Inc., Comprehensive Non-Qualified Deferred Compensation Plan (Anthem Plan) and the Empire Blue Cross and Blue Shield Supplemental Cash Balance Pension Plan (Empire). Anthem Plan's primary purpose is to provide deferred compensation for a select group of management or highly compensated employees within the meaning of the Employee Retirement Income Security Act of 1974. Empire's primary purpose is to replace pension benefits that are lost because of a key employee's elective deferral of compensation or because of the limitations on benefits or includible compensation imposed by the Internal Revenue Code of 1986.

This report addresses the nonqualified plans costs that NGS claimed under the provisions of its fiscal intermediary and carrier contracts. We are addressing the Supplemental Executive Retirement Plan costs that NGS claimed under the provisions of its FACP contract in a separate review.

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[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 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.

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

[3] Medicare Parts A and B Jurisdiction 13 consists of the States of Connecticut and New York.

[4] 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, the Northern Mariana Islands, Puerto Rico, and the U.S. Virgin Islands.

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

Accounting Methodologies

The Medicare contracts require NGS to calculate nonqualified pension plans costs in accordance with the FAR and CAS 412 and 413. The FAR and the CAS require that the costs for nonqualified plans be measured under either the accrual method or the pay-as-you-go method. Under the accrual method, allowable costs are based on the annual contributions that the employer deposits into its trust fund. For nonqualified plans that are not funded through the use of a funding agency, costs are to be accounted for under the pay-as-you-go method. This method is based on the actual benefits paid to participants, which are comprised of lump-sum payments and annuity payments.

HOW WE CONDUCTED THIS REVIEW

We reviewed $624,697 of Medicare nonqualified plans costs that NGS claimed for Medicare reimbursement on its FACPs for FYs 2007 through 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 objective.

Appendix A contains details of our audit scope and methodology.

FINDING

NGS claimed nonqualified plans costs of $624,697 for Medicare reimbursement for FYs 2007 through 2013; however, we determined that the allowable nonqualified plans costs during this period were $198,574. The difference, $426,123, represented unallowable fiscal intermediary and carrier contract nonqualified plans costs that NGS claimed on its FACPs for FYs 2007 through 2013. NGS claimed these unallowable nonqualified plans costs primarily because it did not calculate those costs in accordance with Federal regulations and the Medicare contracts' requirements.

NONQUALIFIED PLANS COSTS CLAIMED

NGS claimed nonqualified plans costs of $624,697 for Medicare reimbursement, under the provisions of its fiscal intermediary and carrier contracts, on its FYs 2007 through 2013 FACPs.

UNALLOWABLE NONQUALIFIED PLANS COSTS CLAIMED

We determined that the allowable nonqualified plans costs for FYs 2007 through 2013 were $198,574. Thus, NGS claimed $426,123 of unallowable nonqualified plans costs on its FACPs for this time period. This overclaim occurred primarily because NGS did not calculate its nonqualified plans costs in accordance with Federal regulations and the Medicare contracts' requirements. More specifically, NGS based its claim for Medicare reimbursement on an incorrect cost accounting method and used unallowable compensation when calculating its nonqualified plans costs for Medicare reimbursement.

In accordance with the FAR and the CAS, we calculated the allowable nonqualified plans pension costs based on actual payments to nonqualified plans participants in accordance with CAS 415.40(a). Accordingly, we determined that the allowable nonqualified plans pension costs for FYs 2007 through 2013, calculated under the pay-as-you-go method, totaled $198,574.

The table below compares the allowable nonqualified plans pension costs with the costs claimed on NGS's FACPs.

Table: Comparison of Nonqualified Plans Pension Costs

Fiscal Year	Per Audit	Per NGS	Difference
2007	$114,338	$57,111	$57,227
2008	56,349	151,367	(95,018)
2009	9,714	98,706	(88,992)
2010	5,262	100,595	(95,333)
2011	7,079	119,675	(112,596)
2012	4,430	46,691	(42,261)
2013	1,402	50,552	(49,150)
Total	**$198,574**	**$624,697**	**($426,123)**

Because NGS did not calculate the nonqualified plans costs in accordance with Federal regulations and Medicare contracts' requirements, it claimed $426,123 of unallowable nonqualified plans costs.

Costs Based on Incorrect Cost Accounting Method

The Medicare contracts require that nonqualified plans costs be calculated in accordance with the FAR and the CAS. NGS calculated its nonqualified plans costs in accordance with CAS 412. However, neither of the nonqualified plans offered a benefit that is payable for life; therefore, neither qualified as a "pension plan" as defined in FAR 31.001. Thus, NGS did not claim costs in accordance with Federal regulations.

Anthem accounted for its nonqualified plans as pension plans; however, neither of the nonqualified plans met the FAR 31.001 definition of a "pension plan." Because these plans did not qualify as pension plans, we applied the criteria that govern deferred compensation plans. Accordingly, we determined that Anthem's nonqualified plans met the definition of a "deferred compensation plan" under FAR 31.001. Therefore, NGS should have calculated its nonqualified plans costs in accordance with FAR 31.205-6(k) and CAS 415. Specifically, NGS should have identified the nonqualified plans costs in accordance with the regulations for a deferred compensation plan and should have calculated those costs in accordance with the FAR and CAS 415.

Because the nonqualified plans are not pension plans, we calculated NGS's nonqualified plans costs in accordance with CAS 415. Because no obligations were incurred (that is, the nonqualified plans did not meet all of the conditions specified in CAS 415.50(a)), we based the allowable costs on actual payments to nonqualified plans participants in accordance with CAS 415.40(a).

NGS claimed these unallowable nonqualified plans costs because it based its claim for Medicare reimbursement on an incorrectly calculated amount that, because of the incorrect classification of the nonqualified plans as pension plans, did not comply with Federal regulations.

Costs Based on Unallowable Compensation

NGS identified $624,697 as the allowable nonqualified plans costs for CYs 2007 through 2013. In our review of the benefit payment calculations, we determined that NGS based its claimed nonqualified plans costs on unallowable compensation. We obtained and recalculated one benefit payment using the compensation limits described in FAR 31.205-6(p) (Appendix B). This payment was made on behalf of one of the five most highly compensated employees in management positions at each of Anthem's home offices and in management positions over each of the nonqualified plans' Medicare segments. The benefit payment should have been limited to the compensation benchmarks determined by the Office of Federal Procurement Policy (OFPP).

In our recalculation of this benefit payment, we limited the participant's compensation for the year in which he was considered one of the five most highly compensated employees in accordance with FAR 31.205-6(p). After recalculating this payment, we calculated the allocable nonqualified plans costs for FYs 2007 through 2013 to be $198,574.

RECOMMENDATION

We recommend that NGS revise its FACPs for FYs 2007 through 2013 to reduce its claimed nonqualified plans costs by $426,123.

AUDITEE COMMENTS

In written comments on our draft report, NGS did not specifically agree or disagree with our finding and recommendation. NGS did not dispute our classification of Empire as a deferred compensation plan but it did dispute what it referred to as "the inconsistent treatment of the allowable benefit payments made from the plan [Empire] between 2000 and 2006."

NGS stated that its standard practice was to amortize the lump sum payments over 15 years and added that our audit did not address those prior-period payments. Because these "initial pre-2007 benefit payments" fell outside our audit period, they were left out of the computation of allowable costs, resulting in a loss of $476,000 of reimbursable costs.

NGS asked that, in light of this "unintended consequence," we reconsider our approach to the pre-2007 benefit payments because FACP audits conducted before the formation of NGS[6] had reviewed the costs in question and, with the exception of a $4,600 disallowance, found them to be reimbursable. NGS added that with the formation of NGS, "an adjustment was proposed to CMS" to change the historical treatment of the Empire costs to be consistent with NGS's practice for its other pension plans, "which was to account for and recognize lump sum payments over a 15 year amortization period."

NGS's comments are included in their entirety as Appendix C.

OFFICE OF INSPECTOR GENERAL RESPONSE

With respect to NGS's loss of $476,000 of potentially reimbursable costs associated with Empire's pre-2007 benefit payments, NGS is incorrect in characterizing our findings as "inconsistent treatment." The FACP audits that reviewed Empire's costs for FYs 2000 through 2006, most of which were performed by independent accounting firms, did not properly identify the plan type before making determinations as to allowable costs. Moreover, the FYs 2000 through 2006 timeframe was outside our audit period, and as a result, we cannot opine as to whether the costs associated with FYs 2000 through 2006 are allowable.

Additionally, although NGS referred to an agreement proposed to CMS that allowed NGS to amortize the Empire lump-sum payments, NGS did not give us a CMS-approved copy of the proposal to change the cost accounting methodology for Empire. Even if CMS had agreed to such a proposal, FAR 31.001 states that if a plan does not offer a payment for life, it is not considered a pension plan. In such a case, the plan would be governed by CAS 415, which is the same regulation we applied during this review. Under CAS 415, lump-sum payments are not amortized and the full cost is recognized in the current accounting period. Notwithstanding the existence of a possible agreement, we are required to audit to the criteria relevant to the plan we are reviewing.

In view of these considerations, we continue to support our calculations of the audited nonqualified costs for FYs 2007 through 2013. Accordingly, we maintain that our finding and recommendation remain valid.

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[6] See the discussion in "National Government Services, Inc., and Medicare" earlier in this report.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

We reviewed $624,697 of Medicare nonqualified pension plans costs that NGS claimed for Medicare reimbursement on its FACPs for FYs 2007 through 2013.

Achieving our objective did not require that we review NGS's overall internal control structure. We reviewed controls related to the nonqualified pension plans costs claimed for Medicare reimbursement to ensure that those costs were allowable in accordance with the FAR and the CAS.

We performed our audit work at our office 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 Anthem Plan and Empire documents;

- reviewed accounting records and information provided by NGS to identify the amounts of nonqualified pension plans costs claimed for Medicare reimbursement for FYs 2007 through 2013;

- calculated allowable nonqualified pension plans costs in accordance with applicable provisions of the FAR and the CAS; and

- provided the results of our review to NGS officials on May 15, 2019.

We performed this review in conjunction with the following audit and used the information obtained during this audit: *National Government Services, Inc., Claimed Some Unallowable Supplemental Executive Retirement Plan Costs Through Its Final Administrative Cost Proposals* (A-07-18-00551).

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 objective.

APPENDIX B: FEDERAL REQUIREMENTS RELATED TO NONQUALIFIED PENSION PLAN COSTS

FAR 31.001 defines a "pension plan" as follows:

> 'Pension plan' means a deferred compensation plan established and maintained by one or more employers to provide systematically for the payment of benefits to plan participants after their retirements, provided that the benefits are paid for life or are payable for life at the option of the employees. Additional benefits such as permanent and total disability and death payments, and survivorship payments to beneficiaries of deceased employees, may be an integral part of a pension plan.

FAR 31.001 also defines "deferred compensation" as follows:

> 'Deferred compensation' means an award made by an employer to compensate an employee in a future cost accounting period or periods for services rendered in one or more cost accounting periods before the date of the receipt of compensation by the employee. This definition shall not include the amount of year end accruals for salaries, wages, or bonuses that are to be paid within a reasonable period of time after the end of a cost accounting period.

The allowability of costs for deferred compensation plans is governed by FAR 31.205-6. FAR 31.205-6(k) states that costs shall be measured, assigned, and allocated in accordance with CAS 415.

Federal regulations (FAR 31.205-6(p)) state that costs incurred after January 1, 1998, for compensation of a senior executive in excess of the benchmark compensation amount determined applicable for the contractor fiscal year by the Administrator, OFPP, are unallowable.

Federal regulations (CAS 415.40(a)) state that the cost of deferred compensation shall be assigned to the cost accounting period in which the contractor incurs an obligation to compensate the employee. In the event no obligation is incurred prior to payment, the cost shall be assigned to the cost accounting period in which the payment is made.

Federal regulations (CAS 415.50(a)) state that the contractor shall be deemed to have incurred an obligation for the cost of deferred compensation when all of the following conditions have been met. However, for awards which require that the employee perform future service in order to receive the benefits, the obligation is deemed to have been incurred as the future service is performed for that part of the award attributable to such future service:

(1) There is a requirement to make the future payment(s) which the contractor cannot unilaterally avoid.

(2) The deferred compensation award is to be satisfied by a future payment of money, other assets, or shares of stock of the contractor.

(3) The amount of the future payment can be measured with reasonable accuracy.

(4) The recipient of the award is known.

(5) If the terms of the award require that certain events must occur before an employee is entitled to receive the benefits, there is a reasonable probability that such events will occur.

(6) For stock options, there must be a reasonable probability that the options ultimately will be exercised.

Federal regulations (CAS 415.50(b)) state: "If any of the conditions in [CAS 415.50(a)] is not met, the cost of deferred compensation shall be assignable only to the cost accounting period or periods in which the compensation is paid to the employee."

National Government Services

MEDICARE

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

August 8, 2019 Sent via Email

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-07-19-00563

Dear Mr. Cogley:

We are in receipt of the draft audit entitled "National Government Services, Inc. Claimed Some Unallowable Medicare Nonqualified Plan Costs Through Its Final Administrative Cost Proposals". Thank you for the opportunity to respond to the facts and reasonableness of the recommendation presented in the report.

Pre-2007 Empire Plan Costs

As outlined in the draft report, NGS accounted for its nonqualified plans as pension plans. As a result, when benefit payments were made in the form of a lump sum, NGS sought reimbursement of those payments over a 15 year period as an amortized cost. This approach was applied consistently to all benefit payments incurred prior to and during the audit period of 2007 thru 2013.

As part of NGS' cost claim, a component of reimbursement is for the Empire Blue Cross and Blue Shield Supplemental Cash Balance Pension Plan (hereinafter referred to as the "Empire Plan"). During the audit period of 2007 thru 2013, benefit payments of $81K where paid from the Empire Plan and amortized over 15 years generating reimbursement of $23K (inclusive of the FACPs & ICPs). Thru the audit, the designation of the Empire Plan as a deferred compensation plan and not a pension plan, resulted in the immediate recognition of the costs incurred during the audit period as an allowable cost when paid (the total benefit payments of $81K).

NGS does not dispute the OIG's classification of the Empire Plan as a deferred compensation plan. NGS, however, does dispute the inconsistent treatment of the allowable benefit payments made from the plan between 2000 and 2006. As previously stated, NGS' practice entailed recognizing lump sum payments into reimbursement over a 15 year period. Thru the audit, the pre-2007 payments generating amortization during the audit period were not addressed. As a result, and based on the revised characterization of the current costs, the remaining amortization on the pre-2007 costs incurred were dropped out as a claimed cost in any period resulting in a $476K loss of reimbursement (inclusive of the FACPs and ICPs) of otherwise allowable costs to NGS. This seems to be an unintended consequence simply because the initial pre-2007 benefit payments fell outside the current audit period.

CMS
CENTERS FOR MEDICARE & MEDICAID SERVICES

NGS requests that the OIG reconsider the approach related to the pre-2007 benefit payments based on the following events:

- Prior to formation of NGS, the costs in question had been reviewed thru Empire's Final Administrative Cost Proposal (FACP) audits. Empire had previously recognized these payments as a reimbursable cost when paid. The FACP audits largely found these costs allowable with the exception of $4600.

- With the formation of NGS in 2006, an adjustment was proposed to CMS to change the historical treatment of the Empire Plan costs to be consistent with the NGS practice on other pension plans, which was to account for and recognize lump sum payments over a 15 year amortization period. The adjustments were made to FACP closing agreements for FY00-FY04 and thru revised FACP filings for FY05-06 to incorporate this proposed change in treatment of the Empire Plan costs.

Respectively, NGS requests that the pre-2007 Empire Plan benefit payments be included in allowable reimbursement as these costs had previously been determined allowable. To accomplish this, NGS recommends continuing the current cost recovery approach for the pre-2007 benefit payments as the associated costs will be fully amortized by August, 2021.

Conclusion

Going forward, NGS will recognize the reimbursement for benefit payments made under its nonqualified plans under the guidelines specified within CAS 415. Additionally, processes will be established to ensure that when applicable, the compensation benchmarks are applied to compensation used in determining benefit payments. As NGS' legacy fee-for-service Medicare contracts have concluded, no specific corrective action is planned for those contracts.

If you have any further questions or need additional clarification, 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.

CC: Andrew Conn – NGS
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