Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

NORIDIAN HEALTHCARE SOLUTIONS, LLC, DID NOT CLAIM SOME ALLOWABLE MEDICARE POSTRETIREMENT BENEFIT COSTS THROUGH ITS INCURRED 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

November 2019
A-07-19-00568

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: November 2019
Report No. A-07-19-00568

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

Noridian Healthcare Solutions, LLC, Did Not Claim Some Allowable Medicare Postretirement Benefit Costs Through Its Incurred Cost Proposals

Why OIG Did This Review

The Centers for Medicare & Medicaid Services (CMS) reimburses contractors for a portion of their postretirement benefit (PRB) costs, which are funded by the contributions that contractors make to their dedicated trust fund.

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, PRB, and any other pension-related cost elements claimed by Medicare contractors through Incurred Cost Proposals (ICPs).

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

Our objective was to determine whether the calendar years (CYs) 2009 through 2013 PRB costs that Noridian Healthcare Solutions, LLC (NHS), claimed for Medicare reimbursement, and reported on its ICPs, were allowable and correctly claimed.

How OIG Did This Review

We reviewed negative $1.5 million of Medicare PRB costs that NHS claimed for Medicare reimbursement on its ICPs for CYs 2009 through 2013. (Negative PRB costs represent reimbursements of prior contributions in cases when there is a plan change because a contractor reduces benefits already earned by plan participants.)

What OIG Found

NHS claimed PRB costs of negative $1.5 million for Medicare reimbursement, through its ICPs, for CYs 2009 through 2013; however, we determined that the allowable PRB costs during this period were negative $1.4 million. The difference, $148,216, represented allowable Medicare PRB costs that NHS did not claim on its ICPs for CYs 2009 through 2013. NHS did not claim these allowable Medicare PRB costs primarily because it used incorrect indirect cost rates when claiming PRB costs for Medicare reimbursement. Specifically, NHS used incorrect allocable PRB costs when calculating the indirect cost rates.

What OIG Recommends and Auditee Comments

We recommend that NHS work with CMS to ensure that its final settlement of contract costs reflects an increase in Medicare PRB costs of $148,216 for CYs 2009 through 2013.

NHS concurred with our recommendation. NHS stated that it would ensure that its final settlement of contract costs reflected an increase in the Medicare PRB costs of $148,216 for CYs 2009 through 2013.

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INTRODUCTION

WHY WE DID THIS REVIEW

Medicare contractors are eligible to be reimbursed a portion of their postretirement benefit (PRB) costs, which are funded by contributions that these contractors make to their dedicated trust fund. The amount of PRB 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) as required by the Medicare contracts. Previous Office of Inspector General reviews found that Medicare contractors have not always complied with Federal requirements when claiming PRB costs for Medicare reimbursement.

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, PRB, and any other pension-related cost elements claimed by Medicare fiscal intermediaries and carrier contractors and Medicare administrative contractors (MACs) and Cost Accounting Standards (CAS)- and FAR-covered contracts through Final Administrative Cost Proposals, Incurred Cost Proposals (ICPs), or both.

For this review, we focused on one Medicare contractor, Noridian Healthcare Solutions, LLC (NHS). In particular, we examined the NHS Medicare segment and Other segment PRB costs that NHS claimed for Medicare reimbursement and reported on its ICPs.

OBJECTIVE

Our objective was to determine whether the calendar years (CYs) 2009 through 2013 PRB costs that NHS claimed for Medicare reimbursement, and reported on its ICPs, were allowable and correctly claimed.

BACKGROUND

Noridian Healthcare Solutions, LLC, and Medicare

NHS is a subsidiary of Blue Cross Blue Shield of North Dakota (formerly Noridian Mutual Insurance Company), whose home office is in Fargo, North Dakota. NHS administered Medicare Part A fiscal intermediary, Medicare Part B carrier, and Medicare Durable Medical Equipment (DME) contract operations under cost reimbursement contracts with CMS until its contractual relationships ended on August 10, 2013, February 24, 2012, and March 31, 2011, respectively.

With the implementation of Medicare contracting reform,[1] NHS continued to perform Medicare work after being awarded the MAC contracts for Medicare DME Jurisdiction D[2] and Medicare Parts A and B Jurisdiction 3,[3] effective June 30, 2006, and July 31, 2006, respectively. Currently, NHS is the Medicare Parts A and B MAC contractor for Jurisdictions E[4] and F[5] and the Medicare DME contractor for Jurisdictions A[6] and D.[7] During our audit period, NHS administered both fiscal intermediary and carrier contracts and MAC-related contracts.

This report addresses the allowable PRB costs claimed by NHS, under the provisions of its MAC contracts and CAS- and FAR-covered contracts. NHS claimed PRB costs using the segmented accrual basis of accounting. NHS participates in a voluntary employee benefit association (VEBA) trust for the purpose of funding annual PRB plans.

The disclosure statement that NHS submits to CMS states that NHS uses pooled cost accounting. Medicare contractors use pooled cost accounting to calculate the indirect cost rates (whose computations include pension, PRB, and Supplemental Executive Retirement Plan costs) that they submit on their ICPs. Medicare contractors use the indirect cost rates to calculate the contract costs that they report on their ICPs. In turn, CMS uses these indirect cost rates in determining the final indirect cost rates for each contract.[8]

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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] The original Medicare DME Jurisdiction D included the States of Alaska, Arizona, California, Hawaii, Idaho, Iowa, Kansas, Missouri, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, and Wyoming, and the U.S. Territories of American Samoa, Guam, and the Northern Mariana Islands.

[3] The original Medicare Parts A and B Jurisdiction 3 included the States of Arizona, Montana, North Dakota, South Dakota, Utah, and Wyoming.

[4] Medicare Parts A and B Jurisdiction E includes California, Hawaii, and Nevada, and the U.S. Territories of American Samoa, Guam, and the Northern Mariana Islands.

[5] Medicare Parts A and B Jurisdiction F includes the States of Alaska, Arizona, Idaho, Montana, North Dakota, Oregon, South Dakota, Utah, Washington, and Wyoming.

[6] Medicare DME Jurisdiction A includes the States of Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont, and the District of Columbia.

[7] Medicare DME Jurisdiction D includes the States of Alaska, Arizona, California, Hawaii, Idaho, Iowa, Kansas, Missouri, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, and Wyoming, and the U.S. Territories of American Samoa, Guam, and the Northern Mariana Islands.

[8] For each CY, each Medicare contractor submits to CMS an ICP that reports the Medicare direct and indirect costs that the contractor incurred during that year. The ICP and supporting data provide the basis for the CMS Contracting Officer and the Medicare contractor to determine the final billing rates for allowable Medicare costs.

Medicare Reimbursement of Postretirement Benefit Costs

CMS reimburses a portion of the Medicare contractors' annual PRB costs, which are funded by contributions that contractors make to their PRB plans. The PRB 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.

Federal regulations (FAR 31.205-6(o)) require that to be allowable for Medicare reimbursement, PRB costs must be (1) measured, assigned, and allocated in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 715-60 (formerly Statement of Financial Accounting Standards (SFAS) 106) and (2) funded as specified by part 31 of the FAR. In claiming costs, contractors must follow cost reimbursement principles contained in the FAR and the Medicare contracts. For contractors that account for costs using ASC 715 valuation method, a negative plan amendment can produce negative PRB costs.[9]

Previous Audit of Allocable Postretirement Benefit Costs

We previously reviewed NHS's allocable PRB costs (A-07-13-00422; Mar. 18, 2014). This audit report identified allocable PRB costs that NHS should have used when calculating its indirect cost rates for CYs 2006 through 2010. We recommended that NHS (1) increase the Medicare segment PRB costs used to calculate the indirect cost rates by $540,439 for CYs 2006 through 2010 and (2) decrease the Other segment PRB costs used to calculate the indirect cost rates by $1,531,063 for CYs 2006 through 2010.

Incurred Cost Proposal Audits

At CMS's request, the Defense Contracting Audit Agency (DCAA) and CliftonLarsonAllen LLP (CLA) performed audits of the ICPs that NHS submitted for CYs 2009 through 2013. The objectives of the DCAA and CLA reviews were to determine whether costs were allowable in accordance with the FAR, the U.S. Department of Health and Human Services Acquisition Regulation, and the CAS.

For our current audit, we relied on the DCAA and CLA audit findings and recommendations when computing the allowable PRB 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 PRB costs claimed, for the contracts subject to the FAR. CMS will use our report on allowable PRB costs, as well as the DCAA and CLA audit reports, to determine the final indirect cost rates and the total allowable contract costs for NHS for CYs 2009 through 2013. The cognizant Contracting Officer will perform a final settlement with the

[9] A negative plan amendment can occur when there is a plan change because a contractor reduces benefits already earned by plan participants for past services.

contractor to determine the final indirect cost rates. These rates ultimately determine the final costs of each contract.[10]

HOW WE CONDUCTED THIS REVIEW

We reviewed negative $1,532,641 of Medicare PRB costs that NHS claimed for Medicare reimbursement on its ICPs for CYs 2009 through 2013.[11]

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

NHS claimed PRB costs of negative $1,532,641 for Medicare reimbursement, through its ICPs, for CYs 2009 through 2013; however, we determined that the allowable PRB costs during this period were negative $1,384,425. The difference, $148,216, represented allowable Medicare PRB costs that NHS did not claim on its ICPs for CYs 2009 through 2013. NHS did not claim these allowable Medicare PRB costs primarily because it used incorrect indirect cost rates when claiming PRB costs for Medicare reimbursement. Specifically, NHS used incorrect allocable PRB costs when calculating the indirect cost rates.

ALLOCABLE MEDICARE SEGMENT POSTRETIREMENT BENEFIT COSTS UNDERSTATED

During this audit, we calculated the Medicare segment allocable PRB costs for CYs 2011 through 2015 in accordance with Federal requirements.[12] We determined that the Medicare segment

[10] 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.

[11] Negative PRB costs represent reimbursements of prior trust contributions for benefits that were reduced by the negative plan amendment (footnote 9).

[12] We identified the allocable PRB costs for CYs 2009 and 2010 in our previous audit (A-07-13-00422; Mar. 18, 2014). For the current audit, we incorporated these allocable PRB costs into the indirect cost rates to determine the allowable PRB costs.

allocable PRB costs for CYs 2009 through 2015 totaled negative $7,950,622.[13] NHS reported that its allocable PRB costs, as identified in its actuarial computations, totaled negative $8,786,270. Therefore, NHS understated the Medicare segment allocable PRB costs by $835,648. This understatement occurred because NHS incorrectly calculated assignable PRB costs. More specifically, this underclaim occurred primarily because of differences in the identification of the Medicare segment participants.[14]

Table 1 below shows the differences between the allocable Medicare segment PRB costs that we determined for CYs 2009 through 2015 and the Medicare segment PRB costs that NHS calculated for the same time period.

Table 1: Medicare Segment Allocable PRB Costs

CY	Allocable Per Audit[15]	Per NHS	Difference
2009	$1,041,074	$725,065	$316,009
2010	0	0	0
2011	(434,515)	(782,626)	348,111
2012	(907,054)	(1,160,042)	252,988
2013	(1,266,538)	(1,223,550)	(42,988)
2014	(1,115,026)	(954,873)	(160,153)
2015	(5,268,563)	(5,390,244)	121,681
Total	**($7,950,622)**	**($8,786,270)**	**$835,648**

ALLOCABLE OTHER SEGMENT POSTRETIREMENT BENEFIT COSTS OVERSTATED

During the current audit, we calculated the allocable negative Medicare PRB costs for CYs 2011 through 2015 in accordance with Federal requirements. We determined that the allocable negative PRB costs for CYs 2009 through 2015 totaled $5,196,062. NHS reported that its allocable negative PRB costs, as identified in its actuarial computations, totaled $4,913,987. Therefore, NHS overstated the Other segment allocable PRB costs by $282,075. This overstatement occurred because NHS incorrectly calculated assignable PRB costs. More

[13] We incorporated the results of the ICP audits into our computation of the allowable PRB costs. Because the ICP audits for CYs 2014 and 2015 have not been issued, our report opines only on the claimed PRB costs for CYs 2009 through 2013.

[14] NHS overstated its negative Medicare segment allocable PRB costs, which ultimately resulted in an underclaim of allocable PRB costs.

[15] The allocable PRB costs for CYs 2009 and 2010 were identified in our previous audit (A-07-13-00422; Mar. 18, 2014). We incorporated these allocable PRB costs into the indirect cost rates to determine the allowable PRB costs for CYs 2009 and 2010. During our current audit, we identified the allocable PRB costs for CYs 2011 through 2015; however, we will not opine on the PRB costs for CYs 2014 and 2015 because the ICP audits for these years have not been issued.

specifically, this overclaim occurred primarily because of differences in the identification of the Medicare segment participants.[16]

Table 2 below shows the allocable Other segment PRB costs that we determined for CYs 2009 through 2015.

Table 2: Other Segment Allocable PRB Costs

CY	Allocable Per Audit[17]	Per NHS	Difference
2009	$2,170,905	$2,274,935	($104,030)
2010	95,026	0	95,026
2011	0	235,724	(235,724)
2012	(376,953)	(139,236)	(237,717)
2013	(577,779)	(490,679)	(87,100)
2014	(764,887)	(626,950)	(137,937)
2015	(5,742,374)	(6,167,781)	425,407
Total	**($5,196,062)**	**($4,913,987)**	**($282,075)**

CALCULATION OF ALLOWABLE POSTRETIREMENT BENEFIT COSTS

We used both the Medicare segment and the Other segment (Appendix C) allocable PRB costs to adjust the indirect cost rates (i.e., the fringe benefit and general and administrative rates) to determine the allowable PRB costs for Medicare reimbursement for CYs 2009 through 2013.

NHS claimed negative Medicare PRB costs of $1,532,641 on its ICPs for CYs 2009 through 2013. After incorporating the results of the ICP audits and our adjustments to the indirect cost rates, we determined that the allowable PRB costs for CYs 2009 through 2013 were negative $1,384,425. Thus, NHS did not claim $148,216 of allowable Medicare PRB costs on its ICPs for CYs 2009 through 2013. This underclaim occurred primarily because, as discussed above, NHS based its claim for Medicare reimbursement on incorrect allocable PRB costs included in the indirect cost rates on the ICPs.

We calculated the allowable Medicare PRB costs in accordance with Federal requirements. (Our calculation does not appear in this report because the indirect cost rate computations that

[16] NHS understated its negative Other segment allocable PRB costs which results in an overclaim of allocable PRB costs.

[17] The allocable PRB costs for CYs 2009 and 2010 were identified in our previous audit (A-07-13-00422; Mar. 18, 2014). We incorporated these allocable PRB costs into the indirect cost rates to determine the allowable PRB costs for CYs 2009 and 2010. During our current audit, we identified the allocable PRB costs for CYs 2011 through 2015; however, we will not opine on the PRB costs for CYs 2014 and 2015 because the ICP audits for these years have not been issued.

NHS used in its ICPs, and to which we referred as part of our review, are proprietary information.) For details on the Federal requirements, see Appendix B.

Table 3 below compares the Medicare PRB costs that we calculated (using our adjusted indirect cost rates) to the PRB costs that NHS claimed for Medicare reimbursement for CYs 2009 through 2013.

Table 3: Comparison of Allowable PRB Costs and Claimed PRB Costs

CY	Allowable Per Audit	Per NHS	Difference
2009	$878,270	$670,334	$207,936
2010	4,950	0	4,950
2011	(255,057)	13,263	(268,320)
2012	(808,225)	(1,013,675)	205,450
2013	(1,204,363)	(1,202,563)	(1,800)
Total	**($1,384,425)**	**($1,532,641)**	**$148,216**

RECOMMENDATION

We recommend that Noridian Healthcare Solutions, LLC, work with CMS to ensure that its final settlement of contract costs reflects an increase in Medicare PRB costs of $148,216 for CYs 2009 through 2013.

AUDITEE COMMENTS

In written comments on our draft report, NHS concurred with our recommendation. NHS stated that it would ensure that its final settlement of contract costs reflected an increase in the Medicare PRB costs of $148,216 for CYs 2009 through 2013.

NHS's comments appear in their entirety as Appendix D.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

We reviewed $1,532,641 of negative Medicare PRB costs that NHS claimed for Medicare reimbursement on its ICPs for CYs 2009 through 2013 (footnote 11).

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

We performed fieldwork at NHS in Fargo, North Dakota.

METHODOLOGY

To accomplish our objective, we:

- reviewed the portions of the FAR and Medicare contracts applicable to this audit;
- reviewed information provided by NHS to identify the amounts of PRB costs used in NHS's calculation of indirect cost rates for CYs 2009 through 2013;
- used information that Blue Cross Blue Shield of North Dakota's actuarial consulting firms provided, including information on VEBA assets, PRB obligations, service costs, contributions, claims paid, claims reimbursed, investment earnings, and administrative expenses;
- reviewed the results of DCAA's and CLA's ICP audits and incorporated those results into our calculations of allowable PRB costs;
- incorporated information from our previous report (A-07-13-00422; see below);
- engaged the CMS Office of the Actuary, which provides technical actuarial advice, to calculate the allocable PRB costs based on Federal requirements;
- reviewed the CMS actuaries' methodology and calculations; and
- provided the results of our review to NHS officials on August 1, 2019.

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

- *Noridian Healthcare Solutions, LLC, Understated Its Medicare Segment Allocable Postretirement Benefit Costs and Overstated Its Other Segment Allocable Postretirement Benefit Costs for Calendar Years 2006 Through 2010* (A-07-13-00422, Mar. 18, 2014);

- *Noridian Healthcare Solutions, LLC, Understated Its Medicare Segment Postretirement Benefit Assets* (A-07-19-00567); and

- *Noridian Healthcare Solutions, LLC, Claimed Some Unallowable Medicare Postretirement Benefit Costs* (A-07-19-00569).

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 POSTRETIREMENT BENEFIT COSTS

FEDERAL REGULATIONS

Federal regulations (FAR 31.205-6(o)) require that PRB accrual costs be determined in accordance with SFAS 106 and funded into a dedicated trust fund, such as a VEBA trust. The FAR states that accrual accounting may be used to determine the allowable PRB costs if the cost is measured and assigned (actuarially determined) according to generally accepted accounting principles based on amortization of any transition obligation. Costs attributable to past service (transition obligation) must be assigned under the delayed recognition methodology described in paragraphs 112 and 113 of SFAS 106. The FAR also states that allowable costs must be funded by the time set for filing the Federal income tax return or any extension thereof, and must comply with the applicable standards promulgated by the Actuarial Standards Board.

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

MEDICARE CONTRACTS

The Medicare contracts require NHS 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.)

APPENDIX C: ALLOWABLE MEDICARE POSTRETIREMENT BENEFIT COSTS
FOR NORIDIAN HEALTHCARE SOLUTIONS, LLC,
FOR CALENDAR YEARS 2011 THROUGH 2015

Date	Description		Total Company	Other Segment	Medicare Segment
2011	Contributions		$0	$0	$0
	Contributions Receivable		$0	$0	$0
	Benefits Paid		$0	$0	$0
	Discount for Interest		$0	$0	$0
January 1, 2011	Present Value Contributions		$0	$0	$0
	Prepayment Credit Applied		$0	$0	$0
	Present Value of Funding		$0	$0	$0
January 1, 2011	CAS Funding Target	1/	($110,933)	$323,582	($434,515)
	Percentage Funded	2/		0.00%	100.00%
	Funded PRB Cost	3/		$0	($434,515)
	Allowable Interest			$0	$0
2011	CY Allocable PRB Cost	4/		$0	($434,515)

Date	Description	Total Company	Other Segment	Medicare Segment
2012	Contributions	$0	$0	$0
	Contributions Receivable	$0	$0	$0
	Benefits Paid	$0	$0	$0
	Discount for Interest	$0	$0	$0
January 1, 2012	Present Value Contributions	$0	$0	$0
	Prepayment Credit Applied	$0	$0	$0
	Present Value of Funding	$0	$0	$0
January 1, 2012	CAS Funding Target	($1,284,007)	($376,953)	($907,054)
	Percentage Funded		100.00%	100.00%
	Funded PRB Cost		($376,953)	($907,054)
	Allowable Interest		$0	$0
2012	CY Allocable PRB Cost		($376,953)	($907,054)

Date	Description	Total Company	Other Segment	Medicare Segment
2013	Contributions	$0	$0	$0
	Contributions Receivable	$0	$0	$0
	Benefits Paid	$0	$0	$0
	Discount for Interest	$0	$0	$0
January 1, 2013	Present Value Contributions	$0	$0	$0
	Prepayment Credit Applied	$0	$0	$0
	Present Value of Funding	$0	$0	$0
January 1, 2013	CAS Funding Target	($1,844,317)	($577,779)	($1,266,538)
	Percentage Funded		100.00%	100.00%
	Funded PRB Cost		($577,779)	($1,266,538)
	Allowable Interest		$0	$0
2013	CY Allocable PRB Cost		($577,779)	($1,266,538)

Date	Description	Total Company	Other Segment	Medicare Segment
2014	Contributions	$0	$0	$0
	Contributions Receivable	$0	$0	$0
	Benefits Paid	$0	$0	$0
	Discount for Interest	$0	$0	$0
January 1, 2014	Present Value Contributions	$0	$0	$0
	Prepayment Credit Applied	$0	$0	$0
	Present Value of Funding	$0	$0	$0
January 1, 2014	CAS Funding Target	($1,879,913)	($764,887)	($1,115,026)
	Percentage Funded		100.00%	100.00%
	Funded PRB Cost		($764,887)	($1,115,026)
	Allowable Interest		$0	$0
2014	CY Allocable PRB Cost		($764,887)	($1,115,026)

Date	Description	Total Company	Other Segment	Medicare Segment
2015	Contributions	$0	$0	$0
	Contributions Receivable	$0	$0	$0
	Benefits Paid	$0	$0	$0
	Discount for Interest	$0	$0	$0
January 1, 2015	Present Value Contributions	$0	$0	$0
	Prepayment Credit Applied	$0	$0	$0
	Present Value of Funding	$0	$0	$0
January 1, 2015	CAS Funding Target	($11,010,937)	($5,742,374)	($5,268,563)
	Percentage Funded		100.00%	100.00%
	Funded PRB Cost		($5,742,374)	($5,268,563)
	Allowable Interest		$0	$0
2015	CY Allocable PRB Cost		($5,742,374)	($5,268,563)

1/ The CAS funding target is based on the assignable PRB costs computed during our review. The CAS funding target must be funded by accumulated prepayment credits or current-year contributions or direct benefit payments to satisfy the funding requirements contained in the FAR.

2/ The percentage of costs funded is a measure of the portion of the CAS funding target that was funded during the CY. Because any funding in excess of the CAS funding target is accounted for as a prepayment, the funded ratio may not exceed 100 percent. We computed the percentage funded as the present value of funding divided by the CAS funding target. For purposes of illustration, the percentage of costs funded has been rounded to four decimal places.

3/ We computed the funded PRB cost as the CAS funding target multiplied by the percent funded. Negative costs are considered to be 100 percent funded.

4/ The CY allocable PRB cost is the amount of PRB cost that may be allocated for contract cost purposes.

APPENDIX D: AUDITEE COMMENTS

Office of Audit Services, Region VII
601 East 12th Street, Room 0429
Kansas City, MO 64106

Mr. David Breuer
Executive Vice President and Chief Financial Officer
Blue Cross Blue Shield of North Dakota
4510 13th Avenue South
Fargo, ND 58121

Report Number: A-07-19-00568

Report Title: Noridian Healthcare Solutions, LLC, Did Not Claim Some Allowable Medicare Postretirement Benefit Costs Through Its Incurred Cost Proposals

Recommendation – From Report

We recommend that Noridian Healthcare Solutions, LLC, work with CMS to ensure that its final settlement of contract costs reflects an increase in Medicare PRB costs of $148,216 for CYs 2009 through 2013.

Statement of concurrence or non-concurrence:

Noridian Healthcare Solutions, LLC concurs with the above recommendation.

- For a concurrence, please include a statement describing the nature of the corrective action taken or planned.
- For a nonconcurrence, please include specific reasons for the nonconcurrence and a statement of any alternative corrective action taken or planned.

Noridian will ensure that its final settlement of contract costs reflects an increase in the Medicare PRB costs of $148,216 for CYs 2009 through 2013.

Signed: _____/David Breuer/_____ Date: ____10/15/2019_____
David Breuer, Executive Vice President and Chief Financial Officer
Blue Cross Blue Shield of North Dakota