

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**CAHABA GOVERNMENT BENEFITS  
ADMINISTRATORS, LLC, DID NOT  
CLAIM SOME ALLOWABLE MEDICARE  
PENSION COSTS THROUGH ITS  
INCURRED COST PROPOSALS**

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Deputy Inspector General  
for Audit Services**

**January 2024  
A-07-23-00634**

# *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: January 2024

Report No. A-07-23-00634

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



### Why OIG Did This Audit

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

The HHS, 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 administrative contractors through Incurred Cost Proposals (ICPs).

Previous OIG audits found that Medicare contractors did not always comply with Federal requirements when claiming pension costs for Medicare reimbursement.

Our objective was to determine whether the calendar years (CYs) 2017 through 2019 qualified defined-benefit plan pension costs (herein referred to as “pension costs”) that Cahaba Government Benefits Administrators, LLC (Cahaba GBA), claimed for Medicare reimbursement, and reported on its ICPs, were allowable and correctly claimed.

### How OIG Did This Audit

We reviewed \$4.2 million of Medicare pension costs that Cahaba GBA claimed for Medicare reimbursement on its ICPs for CYs 2017 through 2019.

## Cahaba Government Benefits Administrators, LLC, Did Not Claim Some Allowable Medicare Pension Costs Through Its Incurred Cost Proposals

### What OIG Found

Cahaba GBA claimed pension costs of \$4.2 million for Medicare reimbursement, through its ICPs, for CYs 2017 through 2019; however, we determined that the allowable Cost Accounting Standards-based pension costs during this period were \$4.6 million. The difference, \$348,929, represented allowable Medicare pension costs that Cahaba GBA did not claim on its ICPs for CYs 2017 through 2019. Cahaba GBA did not claim these allowable Medicare pension costs primarily because Cahaba GBA based its claim for Medicare reimbursement on incorrect pension costs included in the indirect cost rates on the ICPs. More specifically, Cahaba GBA claimed an estimated pension cost for its Medicare segment rather than its actuarially determined Medicare segment pension cost.

### What OIG Recommends and Auditee Comments

We recommend that Cahaba GBA work with CMS to ensure that its final settlement of contract costs reflects an increase in Medicare pension costs of \$348,929 for CYs 2017 through 2019.

Cahaba GBA agreed with our recommendation to work with CMS to ensure that its final settlement of contract costs reflects an increase in the Medicare pension costs of \$348,929 for CYs 2017 through 2019.

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## INTRODUCTION

### WHY WE DID THIS AUDIT

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 Medicare contracts. Previous Office of Inspector General (OIG) audits found that Medicare contractors did not always comply with Federal requirements when claiming pension costs for Medicare reimbursement.

At CMS's request, the Department of Health and Human Services, OIG, Office of Audit Services, Region VII pension audit team reviews the cost elements related to qualified defined-benefit, nonqualified defined-benefit, postretirement benefit (PRB), and any other pension-related cost elements claimed by Medicare administrative contractors (MACs) and CAS- and FAR-covered contracts through Incurred Cost Proposals (ICPs).

For this audit, we focused on one Medicare contractor, Cahaba Government Benefits Administrators, LLC (Cahaba GBA). In particular, we examined the Cahaba GBA Medicare segment and Other segment pension costs that Cahaba GBA claimed for Medicare reimbursement and reported on its ICPs.

### OBJECTIVE

Our objective was to determine whether the calendar years (CYs) 2017 through 2019 qualified defined-benefit plan pension costs (herein referred to as "pension costs") that Cahaba GBA claimed for Medicare reimbursement, and reported on its ICPs, were allowable and correctly claimed.

### BACKGROUND

#### **Cahaba Government Benefits Administrators, LLC, and Medicare**

During our audit period, Cahaba GBA was a subsidiary of Blue Cross and Blue Shield of Alabama (BCBS Alabama), whose home office is in Birmingham, Alabama. Cahaba GBA administered the Medicare Parts A and B Jurisdiction J<sup>1</sup> MAC contract under cost reimbursement contracts with CMS until its contractual relationship ended on December 31, 2018, which triggered a curtailment of employee benefits under CAS 413.

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<sup>1</sup> Medicare Parts A and B Jurisdiction J consists of the States of Alabama, Georgia, and Tennessee.

BCBS Alabama has two Medicare segments that participate in its qualified defined-benefit pension plan: (1) Cahaba GBA and (2) Cahaba Safeguard Administrators, LLC (Cahaba CSA). On January 1, 2013, BCBS Alabama created the Healthcare Business Solutions, LLC (HBS), intermediate home office segment (HBS segment) by transferring assets into it from the Cahaba GBA and Cahaba CSA segments.<sup>2</sup> On December 31, 2018, Cahaba GBA transferred the participants working on its Benefit Coordination & Recovery Center contract to the Cahaba CSA segment. The Cahaba GBA and HBS segments were then closed effective December 31, 2018.

This report addresses the allowable pension costs claimed by Cahaba GBA under the provisions of its MAC contracts and CAS- and FAR-covered contracts. We are addressing Cahaba CSA's compliance with the MAC contracts in separate audits.

The disclosure statement that Cahaba GBA submits to CMS states that Cahaba GBA uses pooled cost accounting. Medicare contractors use pooled cost accounting to calculate the indirect cost rates (whose computations include pension and PRB costs) that they submit on their ICPs. The indirect cost rates are used to calculate contract costs reported on the ICPs. In turn, CMS uses these indirect cost rates in determining the final indirect cost rates for each contract.<sup>3</sup>

### **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.

### **Incurred Cost Proposal Audits**

At CMS's request, CohnReznick, LLC (CohnReznick), performed audits of the ICPs that Cahaba GBA submitted for the periods of CYs 2017 through 2019. The objectives of the CohnReznick ICP audits 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 CohnReznick ICP audit findings and recommendations when computing the allowable pension costs discussed in this report.

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<sup>2</sup> Although BCBS Alabama created the HBS segment, we determined that this segment was not a Medicare segment. Because HBS is not a Medicare segment, we do not opine on its costs.

<sup>3</sup> 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.

We incorporated the results of the CohnReznick ICP audits into our computations of the audited indirect cost rates, and ultimately the pension costs claimed, for the contracts subject to the FAR. CMS will use our report on allowable pension costs, as well as the CohnReznick ICP audit reports, to determine the final indirect cost rates and the total allowable contract costs for Cahaba GBA for CYs 2017 through 2019. 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.<sup>4</sup>

## **HOW WE CONDUCTED THIS AUDIT**

We reviewed \$4,248,090 of Medicare pension costs that Cahaba GBA claimed for Medicare reimbursement on its ICPs for CYs 2017 through 2019.

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 findings and conclusions based on our audit objectives.

Appendix A contains details of our audit scope and methodology.

## **FINDING**

Cahaba GBA claimed pension costs of \$4,248,090 for Medicare reimbursement, through its ICPs, for CYs 2017 through 2019; however, we determined that the allowable CAS-based pension costs during this period were \$4,597,019. The difference, \$348,929, represented allowable Medicare pension costs that Cahaba GBA did not claim on its ICPs for CYs 2017 through 2019. Cahaba GBA did not claim these allowable Medicare pension costs primarily because it used incorrect indirect cost rates when claiming pension costs for Medicare reimbursement. Specifically, Cahaba GBA used an incorrect allocable pension cost when calculating the indirect cost rates.

### **ALLOCABLE MEDICARE SEGMENT PENSION COSTS UNDERSTATED**

During this audit, we calculated the allocable pension costs for CYs 2017 through 2019 in accordance with Federal requirements. We determined that the allocable pension costs for CYs 2017 through 2019 totaled \$4,523,101. Cahaba GBA reported that its allocable pension costs for this period, as identified in its actuarial computations, totaled \$3,192,000. Therefore, Cahaba GBA understated the allocable pension costs by \$1,331,101. This understatement

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<sup>4</sup> 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.



occurred because Cahaba GBA based its claim for Medicare reimbursement on an incorrectly calculated allocable pension cost. More specifically, Cahaba GBA claimed an estimated pension cost for its Medicare segment rather than its actuarially determined Medicare segment pension cost.

Table 1 shows the differences between the allocable CAS-based pension costs that we determined for CYs 2017 through 2019 and the Medicare segment allocable pension costs that Cahaba GBA calculated for the same time period.

**Table 1: Medicare Segment Allocable Pension Costs**

| <b>CY</b>    | <b>Allocable Per Audit</b> | <b>Per Cahaba GBA</b> | <b>Difference</b>  |
|--------------|----------------------------|-----------------------|--------------------|
| 2017         | \$2,570,840                | \$2,260,000           | \$310,840          |
| 2018         | 1,952,261                  | 525,000               | 1,427,261          |
| 2019         | 0                          | 407,000               | (407,000)          |
| <b>Total</b> | <b>\$4,523,101</b>         | <b>\$3,192,000</b>    | <b>\$1,331,101</b> |

**ALLOCABLE OTHER SEGMENT PENSION COSTS UNDERSTATED**

During the current audit, we calculated the allocable Other segment pension costs for CYs 2017 through 2019 in accordance with Federal requirements. We determined that the allocable Other segment pension costs for CYs 2017 through 2019 totaled \$125,543,482. Cahaba GBA reported that its Other segment allocable pension costs, as identified in its actuarial computations, totaled \$125,413,000. Therefore, Cahaba GBA understated the allocable Other segment pension costs by \$130,482. This understatement occurred because Cahaba GBA based its claim for Medicare reimbursement on an incorrectly calculated allocable pension cost. More specifically, Cahaba GBA claimed an estimated pension cost for its Medicare segment rather than its actuarially determined Medicare segment pension cost.

Table 2 shows the differences between the allocable Other segment CAS-based pension costs that we determined for CYs 2017 through 2019 and the Other segment allocable pension costs that Cahaba GBA calculated for the same time period.

**Table 2: Other Segment Allocable Pension Costs**

| <b>CY</b>    | <b>Allocable Per Audit</b> | <b>Per Cahaba GBA</b> | <b>Difference</b> |
|--------------|----------------------------|-----------------------|-------------------|
| 2017         | \$37,423,528               | \$41,076,000          | (\$3,652,472)     |
| 2018         | 45,360,871                 | 45,100,000            | 260,871           |
| 2019         | 42,759,083                 | 39,237,000            | 3,522,083         |
| <b>Total</b> | <b>\$125,543,482</b>       | <b>\$125,413,000</b>  | <b>\$130,482</b>  |

We used these allocable Medicare and Other segments' pension costs to determine the allowable pension costs for Medicare reimbursement. Specifically, we determined the CYs 2017 through 2019 allocable pension costs for the Medicare and Other segments (Appendix C).

**CALCULATION OF ALLOWABLE PENSION COSTS CLAIMED**

We used the Medicare segment (Appendix C) allocable pension costs to adjust the indirect cost rates (i.e., the fringe benefit and general and administrative rates) to determine the allowable pension costs for Medicare reimbursement for CYs 2017 through 2019.

Cahaba GBA claimed Medicare pension costs of \$4,248,090 on its ICPs for CYs 2017 through 2019. After incorporating the results of the CohnReznick ICP audits and our adjustments to the indirect cost rates, we determined that the allowable CAS-based pension costs for CYs 2017 through 2019 were \$4,597,019. Thus, Cahaba GBA did not claim \$348,929 of allowable Medicare pension costs on its ICPs for CYs 2017 through 2019. This underclaim occurred primarily because Cahaba GBA based its claim for Medicare reimbursement on incorrect pension costs included in the indirect cost rates on the ICPs.

We calculated the allowable Medicare pension costs based on separately computed CAS-based pension costs in accordance with CAS 412 and 413. For details on the Federal requirements, see Appendix B.

Table 3 compares the Medicare pension costs that we calculated (using our adjusted indirect cost rates) to the pension costs that Cahaba GBA claimed for Medicare reimbursement for CYs 2017 through 2019.

**Table 3: Comparison of Allowable Pension Costs and Claimed Pension Costs<sup>5</sup>**

| <b>CY</b>    | <b>Allowable Per Audit</b> | <b>Per Cahaba GBA</b> | <b>Difference</b> |
|--------------|----------------------------|-----------------------|-------------------|
| 2017         | \$2,624,980                | \$2,325,995           | \$298,985         |
| 2018         | 1,972,039                  | 1,507,604             | 464,435           |
| 2019         | 0                          | 414,491               | (414,491)         |
| <b>Total</b> | <b>\$4,597,019</b>         | <b>\$4,248,090</b>    | <b>\$348,929</b>  |

**RECOMMENDATION**

We recommend that Cahaba Government Benefits Administrators, LLC, work with CMS to ensure that its final settlement of contract costs reflects an increase in Medicare pension costs of \$348,929 for CYs 2017 through 2019.

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<sup>5</sup> Our calculations of allowable costs do not appear in this report because those indirect cost rate computations that Cahaba GBA used in its ICPs, and to which we referred as part of our audit, are proprietary information.

## **AUDITEE COMMENTS**

In written comments on our draft report, Cahaba GBA agreed with our recommendation to work with CMS to ensure that its final settlement of contract costs reflects an increase in the Medicare pension costs of \$348,929 for CYs 2017 through 2019.

Cahaba GBA's comments appear in their entirety as Appendix D.

## **APPENDIX A: AUDIT SCOPE AND METHODOLOGY**

### **SCOPE**

We reviewed \$4,248,090 of Medicare pension costs that Cahaba GBA claimed for Medicare reimbursement on its ICPs for CYs 2017 through 2019.

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

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 information provided by Cahaba GBA to identify the amounts of pension costs used in Cahaba GBA's calculation of indirect cost rates for CYs 2017 through 2019;
- used information that Cahaba GBA's actuarial consulting firm provided, including information on the pension plans' assets, liabilities, normal costs, contributions, benefit payments, investment earnings, and administrative expenses;
- reviewed the results of the CohnReznick ICP audits and incorporated those results into our calculations of allowable pension costs;
- engaged the CMS Office of the Actuary, which provides technical actuarial advice, to calculate the allocable pension costs based on the CAS (the calculations were based on separately computed CAS-based pension costs for the Medicare segment and the Other segment);
- reviewed the CMS actuaries' methodology and calculations; and
- provided the results of our audit to Cahaba GBA officials on September 14, 2023.

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

- *Cahaba Safeguard Administrators, LLC, Claimed Some Unallowable Medicare Pension Costs Through Its Incurred Cost Proposals (A-07-23-00635);*
- *Cahaba Government Benefits Administrators, LLC, Claimed Some Unallowable Medicare Postretirement Benefit Plan Costs Through Its Incurred Cost Proposals (A-07-23-00636);*  
and
- *Cahaba Safeguard Administrators, LLC, Claimed Some Unallowable Medicare Postretirement Benefit Plan Costs Through Its Incurred Cost Proposals (A-07-23-00637).*

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 findings and conclusions based on our audit objectives.

## **APPENDIX B: FEDERAL REQUIREMENTS RELATED TO REIMBURSEMENT OF PENSION COSTS**

### **FEDERAL REGULATIONS**

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.

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 (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 Cahaba GBA 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: ALLOCABLE MEDICARE PENSION COSTS  
FOR CAHABA GOVERNMENT BENEFITS ADMINISTRATORS, LLC,  
FOR CALENDAR YEARS 2017 THROUGH 2019**

| Date            | Description                           | Total Company | Other Segment | Cahaba GBA  | Cahaba CSA | HBS Segment |
|-----------------|---------------------------------------|---------------|---------------|-------------|------------|-------------|
| 2017            | Contributions <u>1/</u>               | \$0           | \$0           | \$0         | \$0        | \$0         |
|                 | Discount for Interest <u>2/</u>       | \$0           | \$0           | \$0         | \$0        | \$0         |
| January 1, 2017 | Present Value Contributions <u>3/</u> | \$0           | \$0           | \$0         | \$0        | \$0         |
|                 | Prepayment Credit Applied <u>4/</u>   | \$40,930,869  | \$37,423,528  | \$2,570,840 | \$452,033  | \$484,468   |
|                 | Present Value of Funding <u>5/</u>    | \$40,930,869  | \$37,423,528  | \$2,570,840 | \$452,033  | \$484,468   |
| January 1, 2017 | CAS Funding Target <u>6/</u>          | \$40,930,869  | \$37,423,528  | \$2,570,840 | \$452,033  | \$484,468   |
|                 | Percentage Funded <u>7/</u>           |               | 100.00%       | 100.00%     | 100.00%    | 100.00%     |
|                 | Funded Pension Cost <u>8/</u>         |               | \$37,423,528  | \$2,570,840 | \$452,033  | \$484,468   |
|                 | Allowable Interest <u>9/</u>          |               | \$0           | \$0         | \$0        | \$0         |
| 2017            | CY Allocable Pension Cost <u>10/</u>  |               | \$37,423,528  | \$2,570,840 | \$452,033  | \$484,468   |

| Date            | Description                 | Total Company | Other Segment | Cahaba GBA  | Cahaba CSA | HBS Segment |
|-----------------|-----------------------------|---------------|---------------|-------------|------------|-------------|
| 2018            | Contributions               | \$40,000,000  | \$40,000,000  | \$0         | \$0        | \$0         |
|                 | Discount for Interest       | (\$2,547,504) | (\$2,547,504) | \$0         | \$0        | \$0         |
| January 1, 2018 | Present Value Contributions | \$37,452,496  | \$37,452,496  | \$0         | \$0        | \$0         |
|                 | Prepayment Credit Applied   | \$48,456,545  | \$45,360,871  | \$1,952,261 | \$394,283  | \$749,130   |
|                 | Present Value of Funding    | \$85,909,041  | \$82,813,367  | \$1,952,261 | \$394,283  | \$749,130   |
| January 1, 2018 | CAS Funding Target          | \$48,456,545  | \$45,360,871  | \$1,952,261 | \$394,283  | \$749,130   |
|                 | Percentage Funded           |               | 100.00%       | 100.00%     | 100.00%    | 100.00%     |
|                 | Funded Pension Cost         |               | \$45,360,871  | \$1,952,261 | \$394,283  | \$749,130   |
|                 | Allowable Interest          |               | \$0           | \$0         | \$0        | \$0         |
| 2018            | CY Allocable Pension Cost   |               | \$45,360,871  | \$1,952,261 | \$394,283  | \$749,130   |

| Date            | Description                 | Total Company | Other Segment | Cahaba GBA | Cahaba CSA | HBS Segment |
|-----------------|-----------------------------|---------------|---------------|------------|------------|-------------|
| 2019            | Contributions               | \$30,000,000  | \$30,000,000  | \$0        | \$0        | \$0         |
|                 | Discount for Interest       | (\$1,376,272) | (\$1,376,272) | \$0        | \$0        | \$0         |
| January 1, 2019 | Present Value Contributions | \$28,623,728  | \$28,623,728  | \$0        | \$0        | \$0         |
|                 | Prepayment Credit Applied   | \$43,448,760  | \$42,759,083  | \$0        | \$689,677  | \$0         |
|                 | Present Value of Funding    | \$72,072,488  | \$71,382,811  | \$0        | \$689,677  | \$0         |
| January 1, 2019 | CAS Funding Target          | \$43,448,760  | \$42,759,083  | \$0        | \$689,677  | \$0         |
|                 | Percentage Funded           |               | 100.00%       | 0.00%      | 100.00%    | 0.00%       |
|                 | Funded Pension Cost         |               | \$42,759,083  | \$0        | \$689,677  | \$0         |
|                 | Allowable Interest          |               | \$0           | \$0        | \$0        | \$0         |
| 2019            | CY Allocable Pension Cost   |               | \$42,759,083  | \$0        | \$689,677  | \$0         |

#### ENDNOTES

- 1/ We obtained these Total Company contribution amounts and dates of deposit from Internal Revenue Service Form 5500 reports. These contributions include deposits made during the CY. We determined the contributions allocated to the Medicare segment during the pension segmentation review (A-07-22-00627).
- 2/ We subtracted the interest that was included in the contributions deposited after the beginning of the valuation year to discount the contributions back to their beginning-of-the-year value. For purposes of this Appendix, we computed the interest as the difference between the present value of contributions (at the CAS valuation interest rate) and actual contribution amounts.
- 3/ The present value of contributions is the value of the contributions discounted from the date of deposit back to the first day of the CY.
- 4/ A prepayment credit represents the accumulated value of premature funding from the previous year(s). A prepayment credit is created when contributions, plus interest, exceed the end-of-year CAS funding target. A prepayment credit is carried forward, with interest, to fund future CAS pension costs.
- 5/ The present value of funding represents the present value of contributions plus prepayment credits. This is the amount of funding that is available to cover the CAS funding target measured at the first day of the CY.



6/ The CAS funding target must be funded by contributions made during the current accounting period or prepaid contributions to satisfy the funding requirement of the FAR 31.205-6(j)(2)(i).

7/ 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 in accordance with CAS 412.50(c)(1), 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 funding has been rounded to four decimal places.

8/ We computed the funded CAS-based pension cost as the CAS funding target multiplied by the percent funded.

9/ We assumed that interest on the funded CAS-based pension cost, less the prepayment credit, accrues in the same proportion as the interest on contributions bears to the present value of contributions. However, we limited the interest in accordance with FAR 31.205-6(j)(2)(iii), which does not permit the allowable interest to exceed the interest that would accrue if the CAS funding target, less the prepayment credit, were funded in four equal installments deposited within 30 days after the end of the quarter.

10/ The CY allocable CAS pension cost is the amount of pension cost that may be allocated for contract cost purposes.

APPENDIX D: AUDITEE COMMENTS



October 30, 2023

Department of Health and Human Services  
Office of Inspector General  
Office of Audit Services  
Attention: James I. Korn, Regional Inspector General for Audit Services  
Region VII  
601 East 12<sup>th</sup> Street, Room 0429  
Kansas City, Missouri 64106

RE: Report Number A-07-23-00634 Cahaba Government Benefit Administrators, LLC, Did Not Claim Some Allowable Medicare Pension Costs Through Its Incurred Cost Proposals

Dear Mr. Korn,

This report is in response to the draft report issued to Cahaba Government Benefit Administrators, LLC (Cahaba) for the above mentioned audit. We agree with the recommendation to work with CMS to ensure its final settlement of contract costs reflects an increase in the Medicare pension costs of \$348,929 for the calendar years 2017 through 2019.

If you should have questions regarding this report, please contact Bobby Frye, Unit Manager of Subsidiary Accounting, at (205)-220-1433 or via e-mail at [robert.frye@bcbsal.org](mailto:robert.frye@bcbsal.org).

Sincerely,

/Randy Heal/  
Randy Heal