

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**AUDIT OF THE PENSION PLAN AT
A TERMINATED MEDICARE
CONTRACTOR, TRIGON BLUE CROSS
AND BLUE SHIELD OF VIRGINIA**



**JANET REHNQUIST
INSPECTOR GENERAL**

**JULY 2002
A-07-01-03004**

Office of Inspector General

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DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General
Office of Audit Services

Region VII
601 East 12th Street
Room 284A
Kansas City, Missouri 64108

CIN: A-07-01-03004

July 16, 2002

Blair Lauver
Vice President of Finance and Controller
Trigon Blue Cross Blue Shield
2221 Edward Holland Drive
Richmond, VA 23230

Dear Blair Lauver:

This report provides the results of an Office of Inspector General (OIG), Office of Audit Services (OAS) review titled *Audit of the Pension Plan at a Terminated Medicare Contractor, Trigon Blue Cross and Blue Shield of Virginia*. The purpose of our review was to evaluate Trigon Blue Cross Blue Shield of Virginia (Trigon) compliance with the pension segmentation requirements of its Medicare contract and to determine the excess assets that should be remitted to Medicare as a result of the termination of the Medicare contractual relationship effective August 31, 1999.

We computed excess pension assets of \$487,254 which Trigon should remit to the Federal Government. Trigon agreed with our recommendations and its response is included in its entirety as Appendix B.

INTRODUCTION

BACKGROUND

Trigon administered Medicare Part A under cost reimbursement contracts until the contractual relationship terminated in 1999. In claiming costs, contractors were to follow cost reimbursement principles contained in the Federal Procurement Regulations (FPR), which were superseded by the Federal Acquisition Regulations (FAR), the Cost Accounting Standards (CAS), and the Medicare contracts.

Since its inception, Medicare has paid a portion of the annual contributions made by contractors to its pension plans. These payments represented allowable pension costs under the FPR and/or the FAR. In 1980, both the FPR and Medicare contracts incorporated CAS 412 and 413.

The CAS 412 regulates the determination and measurement of the components of pension costs. It also regulates the assignment of pension costs to appropriate accounting periods. The CAS 413 regulates 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.

The Centers for Medicare & Medicaid Services (CMS), formerly the Health Care Financing Administration, incorporated segmentation requirements into Medicare contracts starting with Fiscal Year 1988. The contractual language specifies segmentation requirements and also provides for the separate identification of the pension assets for a Medicare segment.

The Medicare contract defines a segment, and specifies the methodology for the identification and initial allocation of pension assets to the Medicare segment. Furthermore, the contract requires that the Medicare segment assets be updated for each year after the initial allocation in accordance with CAS 413.

Trigon created a new Medicare segment in 1987 when it established its Medicare operations in Roanoke Virginia. Trigon's Medicare contract was terminated on August 31, 1999. The majority of Trigon's Medicare segment employees were terminated and the Medicare segment was closed on that date. Contract terminations and segment closings are addressed by CAS at 9904.413-50(c)(12), which states:

"If a segment is closed, ...the contractor shall determine the difference between the actuarial accrued liability for the segment and the market value of the assets allocated to the segment, irrespective of whether or not the pension plan is terminated. The difference between the market value of the assets and the actuarial accrued liability for the segment represents an adjustment of previously determined pension costs.

(i) The determination of the actuarial accrued liability shall be made using the accrued benefit cost method. The actuarial assumptions employed shall be consistent with the current and prior long-term assumptions used in the measurement of pension costs....

(iii) The calculation of the difference between the market value of the assets and the actuarial accrued liability shall be made as of the date of the event (e.g. contract termination, plan amendment, plant closure) that caused the closing of the segment.... If such a date is not readily determinable, or if its use can result in an inequitable calculation, the contracting parties shall agree on an appropriate date."

Medicare contracts specifically prohibit any profit (gain) from Medicare activities. Therefore, according to the contract, pension gains that occur when a Medicare segment terminates should be credited to the Medicare program. In addition, FAR addresses dispositions of gains in situations such as contract terminations. When excess or surplus assets revert to a contractor as a result of termination of a defined benefit pension plan, or such assets are constructively received by it for any reason, the contractor shall make a refund or give credit to the Government for its equitable share (FAR, section 31.205-6(j)(4)).

Trigon participates in the National Retirement Program administered by the National Employee Benefit Administration (NEBA).

OBJECTIVES, SCOPE AND METHODOLOGY

We made our examination in accordance with generally accepted government auditing standards. Our objectives were to determine Trigon's compliance with pension segmentation requirements of its Medicare contract, and to determine the amount of excess assets that should be remitted to Medicare as a result of the contract termination and Medicare segment closing. Achieving our objectives did not require a review of Trigon's internal control structure.

Trigon's Medicare contract was terminated and the Medicare segment closed on August 31, 1999. Trigon suggested, and we agreed, that August 31, 1999 would be an appropriate settlement date for the closing of the segment. We reviewed Trigon's identification of the Medicare segment and its update of Medicare assets from January 1, 1988 to August 31, 1999.

In performing the review, we used information provided by Trigon's prior actuarial firms, and NEBA's prior and current consulting actuarial firms. The information included liabilities, normal costs, contributions, benefit payments, earnings, and administrative expenses. We reviewed Trigon's accounting records, pension plan documents, annual actuarial valuation reports, and the Department of Labor/Internal Revenue Service Form 5500s. Using these documents, we calculated Medicare segment assets as of August 31, 1999. The CMS pension actuarial staff reviewed our methodology and calculations.

Site work at Trigon's corporate offices in Richmond, Virginia was performed during September of 2001. We performed subsequent audit work in our OIG, OAS Jefferson City, Missouri field office.

FINDINGS AND RECOMMENDATIONS

When Trigon's Medicare segment closed, Medicare's share of the excess pension assets was \$487,254, which we are recommending be remitted to CMS. To determine Medicare's share, it was necessary to (1) establish the Medicare segment's initial pension assets as of January 1, 1988, (2) update segment assets to August 31, 1999, and (3) calculate the actuarial liability for accrued benefits for the segment and the excess Medicare assets.

MEDICARE ASSETS AS OF JANUARY 1, 1988

We determined that Trigon's asset fraction was understated by 1.1286 percent. Trigon inappropriately used 1981 data for the calculation of the asset fraction and applied it to the total company assets as of January 1, 1986. We increased the asset fraction from 1.7238 percent to 2.8524 percent by using the appropriate year's data and applied it to the total company assets as of January 1, 1988. Our calculations decreased the Medicare segment assets as of January 1, 1988 by \$106,481 to \$819,025.

Trigon was formed on January 1, 1987 by the merger of Blue Cross and Blue Shield of Richmond Virginia (Richmond) and Blue Cross Blue Shield of Southwestern Virginia (Roanoke). Richmond and Roanoke were two separate entities. After the merger, the formation of Trigon's Medicare operations was established in Roanoke, Virginia.

For the purpose of calculating the asset fraction, Trigon used the 1981 participant liabilities from the two predecessor entities (Richmond and Roanoke). However, Trigon's Medicare contract specified that the asset fraction should be calculated using participants' liabilities, "...as of the later of the first day of the first plan year starting after December 31, 1980, or the first day of the first pension plan year following the date such Medicare segment first existed...". We determined that Trigon's Medicare segment first existed in 1987. Therefore, the first day of the first pension plan year following the date such segment first existed was January 1, 1988.

We calculated Trigon's asset fraction using participants liabilities as of January 1, 1988. The following schedule shows the details of our calculations.

	Total Actuarial <u>Liability</u> (A)	Medicare Actuarial <u>Liability</u> (B)	Rounded Asset <u>Fraction</u> (C)=(B)/(A)	1988 Total Company <u>Assets 1/</u> (D)	1988 Medicare Segment <u>Assets 1/</u> (E)=(C)(D)
OIG Calculation	\$24,488,579	\$698,513	2.8524%	\$28,713,552	\$819,025
Trigon				\$28,713,551	\$925,506
Difference					<u>\$106,481</u>

1/ Market Value of Assets as of January 1, 1988.

MEDICARE ASSET BASE AS OF JANUARY 1, 1988 UPDATED TO JANUARY 1, 2001

We updated pension assets of the Medicare segment from January 1, 1988 to August 31, 1999 (See APPENDIX A). Our calculation showed that the Medicare segment assets were \$487,254 as of August 31, 1999. This resulted from the following adjustments in Trigon's Medicare pension assets: (1) adjusting for benefit payments (\$120,481 increase), (2) adjusting for transfers (\$633,861 decrease), (3) assigning pension contributions and prepayment transfers equitably to the Medicare segment (\$1,078,278 increase), and (4) revising net segment earnings and expenses (\$626,589 decrease).

Benefit Payments

Due to the incorrect identification of retirement benefit payments made to Medicare segment participants, Trigon understated Medicare segment assets. We identified the actual retirement benefits paid to segment participants and assigned these payments to the Medicare segment. This resulted in a net increase of \$120,481 in the Medicare segment assets. A comparison of Trigon and OIG benefit payment amounts are shown on the following schedule:

Benefit Payments To Medicare Retirees

Year	Trigon	OIG	Variance
1988	\$0	\$88,810	(\$88,810)
1989	0	0	0
1990	0	0	0
1991	0	1,776	(1,776)
1992	895	149	746
1993	0	0	0
1994	0	2,430	(2,430)
1995	0	0	0
1996	(45,636)	39,859	(85,495)
1997	32,177	0	32,177
1998	277,866	11,797	266,069
1999	43,580	43,580	0
Total	<u>\$308,882</u>	<u>\$188,401</u>	<u>\$120,481</u>

Transfers

Trigon could not provide details to support assets transferred to and from the Medicare segment except for years 1998 and 1999. Consequently, we were unable to identify the differences between Trigon and audited asset transfers for years other than 1998 and 1999. We identified \$5,911,565 net transfers out for the period January 1, 1988 to August 31, 1999. Trigon identified \$5,277,704. Trigon transferred out \$633,861 less assets than the OIG for the period. In comparison, Trigon and our computation of net transfer amounts were as follows:

Net Transfer Adjustments To The Medicare Segment

Year	Trigon	OIG	Variance
1988	(19,117)	(18,258)	859
1989	(843,779)	(24,031)	819,748
1990	837,906	(42,335)	(880,241)
1991	313,398	(72,359)	(385,757)
1992	(167,156)	88,028	255,184
1993	(25,906)	(46,296)	(20,390)
1994	(6,551)	(39,316)	(32,765)
1995	(154,181)	(286,173)	(131,992)
1996	(10,343)	(39,025)	(28,682)
1997	37,297	22,617	(14,680)
1998	(20,318)	(310,583)	(290,265)
1999	(5,218,954)	(5,143,834)	75,120

Total (\$5,277,704) (\$5,911,565) (\$633,861)

Due to the termination of the Medicare contract, all Medicare segment pension plan participants were transferred out of the Medicare segment or were terminated as of August 31, 1999.

Pension Contributions and Prepayments

Trigon's update methodology did not equitably assign pension contributions and prepayment credits to the Medicare segment. As a result, Trigon understated segment assets by \$1,078,278. The understatement primarily occurred because Trigon failed to take into account prepayment transfers of \$1,175,105.

We assigned contributions to the segment using the pension costs as calculated by the CMS Office of the Actuary. We assigned an equitable portion of the total company contributions to the Medicare segment, based on the ratio of the Medicare segment CAS funding target to the total company CAS funding target (see Appendix A). Our calculations decreased the segment assets by \$96,827. A comparison of Trigon's and our pension contributions follows:

Contribution Variance For The Medicare Segment

<u>Year</u>	<u>Trigon</u>	<u>OIG</u>	<u>Variance</u>
1988	\$36,012	\$0	36,012
1989	41,769	0	41,769
1990	(9,388)	0	(9,388)
1991	137,541	165,952	(28,411)
1992	110,369	145,717	(35,348)
1993	194,541	297,822	(103,281)
1994	261,285	295,427	(34,142)
1995	226,628	196,921	29,707
1996	199,909	0	199,909
1997	0	0	0
1998	0	0	0
1999	0	0	0
Total	<u>\$1,198,666</u>	<u>\$1,101,839</u>	<u>\$96,827</u>

Trigon overstated contributions by \$96,827. Trigon's overstatement primarily occurred because it assigned contribution to the segment in excess of the segment's CAS pension costs for the years 1988, 1989, 1995 and 1996. According to CAS 9904.412-50(c)(1), amounts funded in excess of pension costs (or prepayments) shall be carried forward with interest to fund future CAS pension costs. We considered excess contributions and made prepayment transfers totaling

\$1,175,105 to fund the CAS pension costs of the Medicare segment. Trigon made no prepayment transfers, as shown below.

Prepayment Variance For The Medicare Segment

Year	Trigon	OIG	Variance
1988	\$0	\$0	\$0
1989	0	0	0
1990	0	0	0
1991	0	0	0
1992	0	0	0
1993	0	0	0
1994	0	58,678	58,678
1995	0	152,784	152,784
1996	0	320,252	320,252
1997	0	336,913	336,913
1998	0	306,478	306,478
1999	0	0	0
Total	\$0	\$1,175,105	\$1,175,105

Trigon incorrectly allocated Medicare pension contributions and did not consider prepayment transfers. The net affect is the Medicare pension assets are understated by \$1,078,278.

Earnings and Expenses

Trigon's update methodology allocated investment earnings and administrative expenses to the Medicare segment based on a ratio of segment assets to total company assets. Because Trigon started out with an overstated 1988 asset base (See Medicare Asset Fraction above), it overstated the segment's earnings and expense. Except for using our adjusted assets bases for the asset fraction, benefit payment and transfer errors we used Trigon's allocation methodology in our update and decreased the Medicare segment assets by \$626,589.

Medicare Assets as of August 31, 1999

We updated pension assets of the Medicare segment from January 1, 1988 to August 31, 1999 (See Appendix A). Our calculations showed that the assets of the Medicare segment as of August 31, 1999 were \$487,254 instead of \$759,351 proposed by Trigon. This decrease (\$272,097) resulted from revising the asset fraction (\$106,481 decrease, adjusting benefit payments (\$120,481 increase), adjusting for transfers (\$633,861 decrease), assigning pension contributions and prepayment transfers equitably to the Medicare segment (\$1,078,278 increase), and revising net segment earnings and expenses (\$626,589 decrease).

EXCESS MEDICARE PENSION ASSETS

Trigon's Medicare contract was terminated effective August 31, 1999. Around that time the Medicare pension plan participants were transferred to another company or terminated their employment leaving Medicare pension assets as of August 31, 1999 with a market value of \$487,254 with no actuarial liabilities. Consequently, the excess Medicare assets at the time the contract was terminated was 487,254. The excess must be remitted to the Federal government.

Recommendation:

We recommend that Trigon:

Refund the \$487,254 of excess Medicare pension assets resulting from the termination of its Medicare contract.

Auditee Response

Trigon agreed with our recommendations and its response is included in its entirety as Appendix B.

INSTRUCTIONS FOR AUDITEE RESPONSE

Final determinations as to actions to be taken on all matters reported will be made by the CMS action official identified below. We request that you respond to the recommendation in this report within 30 days from the date of this report to the CMS action official, presenting any comments or additional information that you believe may have a bearing on final determination.

In accordance with the principles of the Freedom of Information Act, 5 U.S.C. 552, as amended by Public Law 104-231, OIG, OAS, reports are made available to the public to the extent information contained therein is not subject to exemptions in the Act. (See 45 CFR Part 5.) As such, within 10 business days after the final report is issued, it will be posted on the worldwide web at <http://oig.hhs.gov/>.

Sincerely,



James P. Aasmundstad
Regional Inspector General for
Audit Services, Region VII

Enclosure

CMS Action Official

Ms. Sonia A. Madison
Regional Administrator, Region III
Suite 216, The Public Ledger Building
150 South Independence Mall West
Philadelphia, Pennsylvania 19106

STATEMENT OF MEDICARE PENSION ASSETS
JANUARY 1, 1988 TO AUGUST 31, 1999

Description		Total Company	Other Segment	Medicare
Asset Fraction, January 1, 1988		100%	97.1476%	2.8524%
Assets January 1, 1988	<u>1/</u>	\$28,713,551	\$27,894,526	\$819,025
Prepayment Transfers	<u>2/</u>	0	0	0
Employer Contributions	<u>3/</u>	0	0	0
Investment Return	<u>4/</u>	3,722,570	3,616,387	106,183
Benefit Payments	<u>5/</u>	(3,782,922)	(3,694,112)	(88,810)
Administrative Expenses	<u>6/</u>	(202,607)	(196,828)	(5,779)
Transfers	<u>7/</u>	0	18,258	(18,258)
Assets January 1, 1989		28,450,592	27,638,231	812,361
Prepayment Transfers		0	0	0
Employer Contributions		0	0	0
Investment Return		6,435,671	6,251,911	183,760
Benefit Payments		(1,116,647)	(1,116,647)	0
Administrative Expenses		(223,200)	(216,827)	(6,373)
Transfers		0	24,031	(24,031)
Assets January 1, 1990		33,546,416	32,580,699	965,717
Prepayment Transfers		0	0	0
Employer Contributions		0	0	0
Investment Return		(850,288)	(825,810)	(24,478)
Benefit Payments		(1,017,221)	(1,017,221)	0
Administrative Expenses		(193,829)	(188,249)	(5,580)
Transfers		0	42,335	(42,335)
Assets January 1, 1991		31,485,078	30,591,754	893,324
Prepayment Transfers		0	0	0
Employer Contributions		2,822,792	2,656,840	165,952
Investment Return		7,013,693	6,814,694	198,999
Benefit Payments		(1,226,134)	(1,224,358)	(1,776)
Administrative Expenses		(252,061)	(244,909)	(7,152)
Transfers		0	72,359	(72,359)
Assets January 1, 1992		39,843,368	38,666,380	1,176,988
Prepayment Transfers		0	0	0
Employer Contributions		2,701,771	2,556,054	145,717
Investment Return		1,652,101	1,603,297	48,804
Benefit Payments		(991,822)	(991,673)	(149)
Administrative Expenses		(276,745)	(268,570)	(8,175)
Transfers		0	(88,028)	88,028
Assets January 1, 1993		\$42,928,673	\$41,477,460	\$1,451,213

STATEMENT OF MEDICARE PENSION ASSETS
JANUARY 1, 1988 TO AUGUST 31, 1999

Description	Total Company	Other Segment	Medicare
Assets January 1, 1993	\$42,928,673	\$41,477,460	\$1,451,213
Prepayment Transfers	0	0	0
Employer Contributions	6,817,431	6,519,609	297,822
Investment Return	4,481,159	4,329,672	151,487
Benefit Payments	(1,206,590)	(1,206,590)	0
Administrative Expenses	(391,229)	(378,003)	(13,226)
Transfers	0	46,296	(46,296)
Assets January 1, 1994	52,629,444	50,788,444	1,841,000
Prepayment Transfers	0	(58,678)	58,678
Employer Contributions	8,096,585	7,801,158	295,427
Investment Return	358,361	345,426	12,935
Benefit Payments	(1,068,588)	(1,066,158)	(2,430)
Administrative Expenses	(369,741)	(356,395)	(13,346)
Transfers	0	39,316	(39,316)
Assets January 1, 1995	59,646,061	57,493,113	2,152,948
Prepayment Transfers	0	(152,784)	152,784
Employer Contributions	11,685,677	11,488,756	196,921
Investment Return	16,204,380	15,577,969	626,411
Benefit Payments	(1,526,516)	(1,526,516)	0
Administrative Expenses	(377,287)	(362,702)	(14,585)
Transfers	0	286,173	(286,173)
Assets January 1, 1996	85,632,315	82,804,009	2,828,306
Prepayment Transfers	0	(320,252)	320,252
Employer Contributions	8,530,612	8,530,612	0
Investment Return	13,323,174	12,826,900	496,274
Benefit Payments	(3,941,648)	(3,901,789)	(39,859)
Administrative Expenses	(609,864)	(587,147)	(22,717)
Transfers	0	39,025	(39,025)
Assets January 1, 1997	102,934,589	99,391,358	3,543,231
Prepayment Transfers	0	(336,913)	336,913
Employer Contributions	1,586,207	1,586,207	0
Investment Return	20,604,431	19,808,745	795,686
Benefit Payments	(5,147,784)	(5,147,784)	0
Administrative Expenses	(656,409)	(631,060)	(25,349)
Transfers	0	(22,617)	22,617
Assets January 1, 1998	\$119,321,034	\$114,647,936	\$4,673,098

STATEMENT OF MEDICARE PENSION ASSETS
JANUARY 1, 1988 TO AUGUST 31, 1999

Description	Total Company	Other Segment	Medicare
Assets January 1, 1998	\$119,321,034	\$114,647,936	\$4,673,098
Prepayment Transfers	0	(306,478)	306,478
Employer Contributions	12,281,067	12,281,067	0
Investment Return	18,724,576	17,922,424	802,152
Benefit Payments	(6,505,434)	(6,493,637)	(11,797)
Administrative Expenses	(733,830)	(702,393)	(31,437)
Transfers	0	310,583	(310,583)
Assets January 1, 1999	143,087,413	137,659,502	5,427,911
Prepayment Transfers	0	0	0
Employer Contributions	0	0	0
Investment Return	6,658,178	6,400,015	258,163
Benefit Payments	(7,320,522)	(7,276,942)	(43,580)
Administrative Expenses	(294,166)	(282,760)	(11,406)
Transfers	0	5,143,834	(5,143,834)
Assets August 31, 1999	142,130,903	141,643,649	487,254
Per Trigon	<u>8/</u> 142,130,930	141,371,579	759,351
Asset Variance	<u>9/</u> (\$27)	\$272,070	(\$272,097)

FOOTNOTES

1. We calculated the Medicare segment assets based on our identification of the Medicare segment and our computed asset fraction (2.8524 percent). We computed the asset fraction as explained in our Findings and Recommendation section of the report narrative. The amounts shown for the other segment represent the difference between the total company and the Medicare segment. All pension assets are shown at market value.
2. The prepayment credit is created when the contributions made to the pension trust fund exceed the CAS pension cost. The prepayment remains unassigned and accumulates interest in the trust fund until needed to fund future CAS pension costs. We allocated the prepayment in proportion to the CAS pension costs. Trigon did not allocate prepayment credits to the Medicare segment.
3. We obtained total company contribution amounts from the actuarial valuation reports. We assigned contributions to the segment using the pension costs as calculated by the CMS Office of the Actuary. We assigned an equitable portion of the total company contributions to the Medicare segment, based on the ratio of the Medicare segment CAS funding target to the total company CAS funding target. Trigon did not make contributions to the pension trust fund for the plan year 1999.

STATEMENT OF MEDICARE PENSION ASSETS
JANUARY 1, 1988 TO AUGUST 31, 1999

4. We obtained investment earnings from actuarial valuation reports. Trigon allocated its investment earnings based on a ratio of segment assets to total company assets. We used the same methodology.
5. We based the Medicare segment's benefit payments on actual payments to Medicare retirees. We identified Medicare segment retirees by comparing total company valuation listings year to year. After identifying the retirees, we obtained trust statements to verify payment and payment dates from Trigon. We created a list of retirees with their benefit payment amounts by year.
6. We calculated the total Medicare segment administrative expenses based on a ratio of segment assets to total company assets. Trigon used the same methodology.
7. We identified participant transfers between segments by comparing annual participant valuation listings provided by Trigon. The listings contained the actuarial liability of each participant. Our transfer adjustment considered each participant's actuarial liability and the funding level of the segment from which the participant transferred. We adjusted the January 1, 1996 to August 31, 1999 actuarial liability amounts to the Accrued Benefit Cost Method as required by CAS.
8. We obtained total asset amounts as of August 31, 1999 from Trigon's update of Medicare segment assets.
9. The asset variance represents the difference between the OIG calculation of Medicare segment assets as of August 31, 1999 and the segment assets calculated by Trigon.



June 27, 2002

Reference: Common Identification Number A-07-01-03004

Mr. James P. Aasmundstad
Regional Inspector General for Audit Services, Region VII
Department of Health & Human Services
Office of Inspector General
Office of Audit Services
601 East 12th Street
Room 284A
Kansas City, Missouri 64106

Dear Mr. Aasmundstad:

Thank you for the opportunity to respond to the OIG draft report entitled, AUDIT OF THE PENSION PLAN AT TERMINATED MEDICARE CONTRACTOR, TRIGON BLUE CROSS AND BLUE SHIELD OF VIRIGNIA, dated May 10, 2002.

We have reviewed the aforementioned draft Audit Report in conjunction with our pension actuaries. We have concluded our review and we are in agreement with the draft Audit Report as presented and do not have any additional comments to add to the report.

Again, we appreciate the opportunity to reply and if you have any questions you may call me at 804-354-3489, or you may contact Gary Byrd at 804-354-3438.

Sincerely,

Blair M. Lauver

Blair M. Lauver
Vice President and Controller

Cc: Greg Tambke
Gary Byrd

**AUDIT REPORT CIN: A-07-02-03009
TRIGON BLUE CROSS AND BLUE SHIELD**

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