



DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF AUDIT SERVICES
233 NORTH MICHIGAN AVENUE
CHICAGO, ILLINOIS 60601

REGION V
OFFICE OF
INSPECTOR GENERAL

Report Number: A-05-03-00094 November 9, 2004

Donna A. James
President, Strategic Investments
Nationwide Mutual Insurance Company
One Nationwide Plaza
Mailcode 1-37-03
Columbus, OH 43215

Dear Ms. James:

Enclosed are two copies of the U.S. Department of Health and Human Services, Office of Inspector General, Office of Audit Services' report entitled, "Review of Administrative Costs and Contract Termination for Nationwide Mutual Insurance Company." The audit covered the period October 1, 1998 through September 30, 2002. A copy of this report will be forwarded to the action official noted below for her review and any action deemed necessary.

The HHS action official named below will make final determination as to actions taken on all matters reported. We request that you respond to the HHS action official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

In accordance with the principles of the Freedom of Information Act (5 U.S.C. 552, as amended by Public Law 104), OIG, OAS reports issued to the department's grantees and contractors are made available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act which the department chooses to exercise. (See 45 CFR Part 5.)

Please refer to report number A-05-03-00094 in all correspondence.

Sincerely,

A handwritten signature in black ink that reads "Paul Swanson".

Paul Swanson
Regional Inspector General
for Audit Services

Enclosures – as stated

Direct Reply to HHS Action Official:

Ms. Jacqueline Garner
Regional Administrator
Centers for Medicare & Medicaid Services
Department of Health and Human Services
233 North Michigan Avenue, Suite 600
Chicago, Illinois 60601-5519

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF ADMINISTRATIVE COSTS
AND CONTRACT TERMINATION FOR
NATIONWIDE MUTUAL INSURANCE
COMPANY**

**OCTOBER 1, 1998 THROUGH
SEPTEMBER 30, 2002**



November 2004
A-05-03-00094

Office of Inspector General

<http://oig.hhs.gov>

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OAS FINDINGS AND OPINIONS

The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed, as well as other conclusions and recommendations in this report, represent the findings and opinions of the HHS/OIG/OAS. Authorized officials of the HHS divisions will make final determination on these matters.



EXECUTIVE SUMMARY

BACKGROUND

The Medicare program is administered by the Centers for Medicare & Medicaid Services (CMS), a federal agency, with the assistance of public or private organizations known as Intermediaries for Part A and Carriers for Part B. Title XVIII of the Social Security Act, provides that Carriers are reimbursed for all reasonable and allowable costs incurred in administering the Part B program.

Nationwide Mutual Insurance Company (Nationwide) receives, reviews, audits and pays Medicare Part B claims under agreements that it has with the Centers for Medicare and Medicaid Services (CMS). Nationwide is entitled to reimbursement for its allowable administrative costs incurred. For the period October 1, 1998 through September 30, 2002, Nationwide claimed administrative costs of \$144,268,652 on its Final Administrative Costs Proposals (FACP).

As of June 30, 2002, Nationwide elected to no longer function as a Part B Carrier. Nationwide entered into an *Advance Agreement Between CMS and Nationwide*, dated June 25, 2002. In accordance with the FAR Section 31.109, Nationwide and CMS modified the current contract to allow certain costs incurred by Nationwide in connection with the transition and termination of the contract. The parties agreed in advance that the following types of costs incurred by Nationwide would to be treated as allowable under the FAR as modified and interpreted by the contract.

- Retention bonuses paid to key employees remaining with Nationwide until contract termination.
- Consultant costs to assist in the contract transition and/or closeout.
- Performance incentives paid to managers and staff.
- Vacation costs paid to employees for unused vacation time.
- Leasehold improvements subject to termination of sublease agreement.

For the items listed above, Nationwide filed a termination voucher claiming \$1,543,938. These costs are in addition to the normal administrative costs and were not included in the FACPs.

OBJECTIVES

The objectives of our audit were to determine if:

- administrative costs claimed on the FACPs were reasonable, allocable and allowable.
- the termination voucher was in conformity with the reimbursement principles contained in Part 31 of the FAR, as interpreted and modified by the Medicare contract.

SUMMARY OF FINDINGS

FINAL ADMINISTRATIVE COST PROPOSALS

Unsupported Costs

Nationwide could not provide documentation to support costs claimed totaling \$5,069,849. The documents were either lost in storage or cost were supported only by unreadable reproductions. Costs claimed were for travel, facilities, equipment, materials, postage, telephone, professional services, miscellaneous costs, and the sale of assets. Due to the lack of documentation, we are setting aside \$5,069,849 for adjudication by the awarding agency.

Complementary Credits

Medicare contractors release Medicare claims information to complementary insurers, which use the Medicare claims information to process supplemental policy benefits they offer to their subscribers. CMS allowed Nationwide to recover its processing costs by billing each complementary insurer at a pre-established rate per claim. The income must then be shown as an offset or credit on the FACPs.

Based on our review of general ledger accounts, we determined that complementary credits totaled \$7,648,451 in FY 2002, instead of the \$6,747,786 claimed on the FACP. We are questioning the \$900,665 difference between the booked amount and the amount shown on the FACP.

Unallowable Overhead Allocations

Nationwide included unallowable CEO and Board of Director costs in the overhead allocation to Medicare. The costs were allocated based on a ratio of Medicare salaries to the total salaries for all employees located in Columbus. Because CEO and Board costs benefit all Nationwide employees, we reallocated the costs to Medicare using a ratio of Medicare salaries to total salaries companywide. As a result, we are questioning costs totaling \$271,503.

Executive Compensation

Executive compensation costs exceeded salary limitations during our audit period. Section 809 of Public Law 104-201 limits amounts that may be claimed for the salaries of the 5 highest paid executives at the contractors' corporate home office. As a result, we are questioning \$212,594 for unallowable executive compensation costs claimed.

TERMINATION COSTS

Nationwide claimed a 59 percent bonus for an employee instead of using the CMS approved 30 percent rate. As a result, we questioned \$41,505.

RECOMMENDATIONS

We recommend that Nationwide:

- resolve the set aside of \$5,069,849 for costs claimed on the FYs 1999 through 2002 FACPs by submitting additional documentation to CMS. Nationwide should make a financial adjustment to its FACPs for any amounts that cannot be supported with documentation acceptable to CMS.
- make a financial adjustment for understated complementary credits (\$900,665), unallowable overhead (\$271,503), and executive compensation costs (\$212,594) claimed on the FYs 1999 through 2002 FACPs.
- make a financial adjustment of \$41,505 for an excessive bonus claimed on the termination voucher.

NATIONWIDE'S RESPONSE

Nationwide said that it concurs with our recommendations on unallowable overhead and executive compensation. Nationwide also stated that it:

- has now identified supporting documentation for most of the costs set aside by the auditor.
- disagreed that complementary credits are understated because the finding does not reflect the “booked amount.”
- disagreed with the bonus questioned stating that it was not the bonus listed in the advance agreement, but another type of bonus.

OIG'S COMMENTS

Nationwide should provide newly identified documentation, not available during our review, to CMS for consideration of the amount set aside.

The “booked amount” of complementary credits was taken from the ledger accounts provided by Nationwide’s representatives. No other documentation was made available to the auditors for accruals or adjustments. Any additional documents, not available during our review, should be provided to CMS.

The excessive bonus was claimed on the October 24, 2002 termination voucher submitted by Nationwide to CMS. The only bonuses allowable for reimbursement on this voucher are those specified in the advance agreement.

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INTRODUCTION

BACKGROUND

The Health Insurance for the Aged and Disabled Program (Medicare), Title XVIII of the Social Security Act, provides for a hospital insurance program (Part A) and a related medical insurance program (Part B). Medicare is the national health insurance program providing coverage to approximately 40 million Americans. Medicare covers eligible beneficiaries age 65 and over, some beneficiaries under 65 with disabilities, and beneficiaries with End-Stage Renal Disease (ESRD).

The Medicare program is administered by the Centers for Medicare & Medicaid Services (CMS), a federal agency, with the assistance of public or private organizations known as Intermediaries for Part A and Carriers for Part B. Title XVIII of the Social Security Act provides reimbursement to Carriers for all reasonable and allowable costs incurred in administering the Part B program.

Nationwide Mutual Insurance Company contracted with CMS to serve as a Part B Carrier responsible for processing Medicare Part B claims. Nationwide's administrative costs are reimbursed under the terms of a contract with CMS. Nationwide and CMS negotiate an annual budget for all allowable costs claimed on the Final Administrative Cost Proposal (FACP). Subject to limitations specified in the agreements, Nationwide is entitled to reimbursement for reasonable administrative costs incurred. From October 1, 1998 through September 30, 2002, Nationwide claimed \$144,268,652 in administrative costs.

As of June 30, 2002, Nationwide elected to no longer function as a Part B Carrier for CMS and terminated the contract between Nationwide and CMS. Appendix B of the contract sets forth principles of reimbursement for administrative costs including termination costs. Appendix B of the contract and referenced Federal regulations, primarily Part 31 of the Federal Acquisition Regulation (FAR), identify allowable administrative and termination costs.

With the knowledge that Nationwide would terminate their contract on June 30, 2002, Nationwide entered into an *Advance Agreement Between CMS and Nationwide*, dated June 25, 2002. In accordance with the FAR Section 31.109, Nationwide and CMS modified the current contract to allow certain costs incurred by Nationwide in connection with the transition and termination of the contract. The parties agreed in advance that the following types of costs incurred by Nationwide under the contract would be treated as allowable under the FAR.

- Retention bonuses paid to key employees remaining with Nationwide until contract termination.
- Consultant costs to assist in the contract transition and/or closeout.
- Performance incentives paid to managers and staff.
- Vacation costs paid to employees for unused vacation time.
- Leasehold improvements subject to termination of sublease agreement.

For these items listed, Nationwide filed a termination voucher for \$1,543,938. These costs are in addition to the administrative costs and are not included in the FACPs. As a result, questioned costs for the termination voucher are not included in the attached Exhibit.

OBJECTIVES, SCOPE AND METHODOLOGY

Objectives

The objectives of our audit were to determine if:

- administrative costs claimed on the FACPs were reasonable, allocable and allowable.
- the termination voucher was in conformity with the reimbursement principles contained in Part 31 of the FAR, as interpreted and modified by the Medicare contract.

Scope

Our audit covered the period of October 1, 1998 through September 30, 2002. We performed a limited review of Nationwide's internal control to obtain an understanding of accounting policies and procedures relevant to the audit objectives. We performed audit procedures considered necessary to achieve our audit objectives.

Methodology

To accomplish our objectives, we reconciled the FACPs to the accounting records and reviewed direct charges, payroll documents, lease agreements, and the basis for allocating certain indirect costs. In addition to the FACP reviews, we reviewed costs claimed on the termination voucher. In reviewing selected costs, we considered whether costs were allowable, reasonable, adequately supported and of benefit to the Medicare Program.

Our review did not address pension segmentation costs. Personnel from the Office of Inspector General, Office of Audit Services, in Region VII have initiated a review of these costs.

Our audit work was performed at Nationwide's offices in Grove City and Columbus, Ohio from June 2003 through February 2004. Our audit was conducted in accordance with generally accepted government auditing standards.

FINDINGS AND RECOMMENDATIONS

During the audit period, Nationwide claimed administrative costs totaling \$144,268,652. Nationwide could not provide documentation to support costs claimed totaling \$5,069,849 for travel, facilities, equipment, materials, postage, telephone, professional services, miscellaneous costs and sale of assets. In addition, we are questioning a total of \$1,384,752 for complementary credits, unallowable overhead allocations, and executive compensation.

Nationwide also claimed costs totaling \$1,543,938 on a termination voucher. We are questioning \$41,505 for the portion of the bonus for one employee in excess of the CMS approved 30 percent rate.

Our findings are detailed in the following sections of this report and summarized in the attached Exhibit. Nationwide's response to our draft report is attached as an Appendix.

FINAL ADMINISTRATIVE COSTS PROPOSALS

Unsupported Costs

Nationwide could not provide documentation to support costs claimed totaling \$5,069,849, as follows:

Nationwide Set Aside Costs FYs 1999-2002	
Postage	\$2,781,800
Sale of Assets	1,181,072
Equipment	587,932
Professional Services	227,375
Materials	151,620
Travel	63,323
Facilities	60,045
Miscellaneous	9,514
Telephone	7,168
Total	\$5,069,849

The documents were either lost in storage or cost were supported only by unreadable reproductions.

The FAR 31.201-2(d) states:

“A contractor is responsible for accounting for costs appropriately and for maintaining records, including supporting documentation, adequate to demonstrate that costs claimed have been incurred, are allocable to the contract, and comply with applicable cost principles in this subpart and agency

supplements. The contracting officer may disallow all or part of a claimed cost which is inadequately supported.”

In addition, the contract between Nationwide and CMS, Article II, *Functions to be Performed by the Carrier*, section H, requires the contractor to maintain such records and afford such access thereto as the Secretary finds necessary to assure the correctness and verification of the information necessary for the administration of this contract.

Due to the lack of documentation, we are setting aside \$5,069,849 for adjudication by the awarding agency.

Recommendation

We recommend that Nationwide resolve the set aside of \$5,069,849 for costs claimed on the FYs 1999 through 2002 FACPs by submitting additional documentation to CMS. Nationwide should make a financial adjustment to its FACPs for any amounts that cannot be supported with documentation acceptable to CMS.

Nationwide’s Response

In a written response to our draft report Nationwide stated that it has now identified supporting documentation for most of the costs set aside by the auditors.

OIG’s Comments

Nationwide should provide newly identified documentation, not available during our review, to CMS for consideration.

Complementary Credits

Nationwide did not provide information to support the outstanding complementary credits in FY 2002. The transfer of title XVIII claims information to Medicare supplemental insurers is required by §1842(h)(3)(B) of the Social Security Act, as enacted by §4081 of OBRA 87.

Medicare contractors release Medicare claims information to complementary insurers, which use the Medicare claims information to process supplemental policy benefits that they offer to their subscribers. CMS allowed Nationwide to recover its processing costs by billing each complementary insurer at a pre-established rate per claim. The income must then be shown as an offset or credit on the FACPs.

Based on our review of general ledger accounts, we determined that complementary credits totaled \$7,648,451 in FY 2002, instead of the \$6,747,786 claimed on the FACP. We are questioning the \$900,665 difference between the booked amount and the amount shown on the FACP.

Recommendation

We recommend that Nationwide make a financial adjustment of \$900,665 for understated complementary credits.

Nationwide's Response

Nationwide disagreed stating that the finding does not reflect the "booked amount".

OIG's Comments

The "booked amount" of complementary credits was taken from the ledger accounts provided by Nationwide representatives. No other documentation was made available to the auditors for accruals or adjustments. Any additional documents, not available during our review, should be provided to CMS.

Unallowable Overhead Allocations

Nationwide included unallowable CEO and Board of Director costs in the overhead allocation to Medicare. The costs were allocated based on a ratio of Medicare salaries to the total salaries for all employees located in Columbus. Because CEO and Board costs benefit all Nationwide employees, we reallocated the costs to Medicare using a ratio of Medicare salaries to total salaries companywide. As a result, we are questioning costs totaling \$271,503.

The FAR 31.201-4 states that a cost is allocable if it is assignable or chargeable to one or more cost objectives on the basis of relative benefits received or other equitable relationship.

Recommendation

We recommend that Nationwide make a financial adjustment of \$271,503 for unallowable overhead allocation costs claimed on the FYs 1999 through 2002 FACPs.

Nationwide's Response

Nationwide concurred with our recommendation.

Executive Compensation

Executive compensation costs exceeded salary limitations during our audit period. Section 809 of Public Law 104-201 limits amounts that may be claimed for the salaries of the 5 highest paid executives at the contractors' corporate home office. As a result, we are questioning \$212,594 for unallowable executive compensation costs claimed.

Recommendation

We recommend that Nationwide make a total financial adjustment of \$212,594 for executive compensation costs claimed on the FYs 1999 through 2002 FACPs.

Nationwide's Response

Nationwide concurred with our recommendation.

TERMINATION COSTS

Bonuses

Nationwide claimed an excessive bonus for an employee listed in the advance agreement in FY 2002. CMS approved a 30 percent rate for a retention bonus for employees listed in this advance agreement. One employee received a 59 percent bonus, instead of the approved 30 percent rate. As a result, we questioned \$41,505 for the portion of the bonus in excess of the CMS approved rate.

Recommendation

We recommend that Nationwide make a financial adjustment of \$41,505 for excessive bonus claimed on the termination voucher.

Nationwide's Response

Nationwide disagreed stating that the bonus in question was of another type; not the bonus listed in the advance agreement.

OIG's Comments

The excessive bonus was claimed on the October 24, 2002 termination voucher submitted by Nationwide to CMS. The only bonuses allowable on this voucher are those specified in the advance agreement.

APPENDIX

RESIDENT IN WASHINGTON OFFICE
DIRECT DIAL: (202) 624 - 7227
CELL: 202-468-6853
BSHIRK@PGFM.COM

October 7, 2004

VIA FACSIMILE
and E-MAIL

Paul Swanson
Regional Inspector General for Audit Services
Office of Audit Services
Department of Health and Human Service 233 North Michigan Avenue
Chicago, Illinois 60601

Re: Draft Review of Administrative Costs and Contract Termination for Nationwide Mutual Insurance Company, August 2004; Report Number : A-05-03-00094

Dear Mr. Swanson:

Enclosed is the response of Nationwide Mutual Insurance Company to the above-captioned draft report. This report is timely submitted pursuant to the agreed extension of time to do so through and including October 8, 2004 as confirmed by our e-mail of September 28 to Ms. Lynn Barker of the Office of Audit Services.

We appreciate your cooperation regarding the extension of time. If there are any questions regarding this response please do not hesitate to contact me at the above telephone number or through e-mail at the address noted.

Sincerely,

W. Bruce Shirk
Counsel for Nationwide Mutual Insurance Company

Enclosure

Cc: Lynn Barker/encl
Thomas Prunte, Esq./encl

::ODMA\PCDOCS\WSH\335127\1

Nationwide Response to: A-05-03-00094

Nationwide's Responses to Findings and Recommendations of Draft Report on Audit of Administrative Costs and Contract Termination for Nationwide Mutual Insurance Company, dated August 2004 (A-05-03-00094)

FACP COSTS:

OIG Finding on Unsupported Costs:

Nationwide could not provide documentation to support costs claimed totaling \$5,069,849. The documents were either lost in storage or cost were supported only by unreadable reproductions. Costs claimed were for travel, facilities, equipment, materials, postage, telephone, professional services, miscellaneous costs, and the sale of assets.

The FAR 31.201-2(d) states:

“A contractor is responsible for accounting for costs appropriately and for maintaining records, including supporting documentation, adequate to demonstrate that costs claimed have been incurred, are allocable to the contract, and comply with applicable cost principles in this subpart and agency supplements. The contracting officer may disallow all or part of a claimed cost which is inadequately supported.”

In addition, the contract between Nationwide and CMS, Article II, *Functions to be Performed by the Carrier*, section H, requires the contractor to maintain such records and afford such access thereto as the Secretary finds necessary to assure the correctness and verification of the information necessary for the administration of this contract.

Due to the lack of documentation, we are setting aside \$5,069,849 for adjudication by the awarding agency.

Nationwide Response to Finding on Unsupported Costs:

The company has now identified supporting documentation for \$4,802,230 or 94.72% of the costs set aside by the auditor for adjudication by the contracting agency, as follows:

Nationwide continues to seek to identify supporting documentation for the 5.28% of costs that remain unsupported by documentation. Nationwide specifically concurs with and will follow the OIG's recommendation to “resolve the set aside...for costs claimed on the FYs 1999 through 2002 FACPS by submitting additional documentation to CMS.”

OIG Finding on Complementary Credits

Based on our review of general ledger accounts, we determined that complementary credits totaled \$7,658,451 in FY 2002, instead of the \$6,747,786 claimed on the FACP. We are questioning the \$900,665 difference between the booked amount and the amount shown on the FACP.

Nationwide Response to Finding on Complementary Credits:

Nationwide disagrees with this finding because it vastly overstates the amount that should have been claimed as complementary credits for FY 2002. The reasons for this overstatement are set out briefly below.

First, the finding does not reflect the “booked amount” as shown in the relevant Nationwide account for the costs in question, i.e. *Complementary Insurance Account #6710592*. Rather, the finding reflects totals from

the 611 Report setting out the August 2002 Detail Expense Analysis, i.e., the final expense detail report for the abbreviated FY 2002 ending June 30, 2002. The 611 Report includes cost data from *Account #6710592* as well as two other accounts and shows (a) a subtotal for *Account #67610592 Complementary Insurance* of \$7,643,383 and (b) some \$15,068 in the other two accounts. Taken together, the three accounts shown in the 611 Report total \$7,658,451, the amount the auditor incorrectly asserts should have been claimed as complementary credits for FY2002.

Second, the 611 Report reflects expenses recorded only through June 30, 2002 and does not reflect relevant accruals. As a result, the \$7,643,383 shown for *Account #67610592* is not an accurate reflection of the complementary credits for FY 2002. Including accruals in the computation of complementary credits yields a total of \$6,747,780, a variance of only \$6.00 from the amount Nationwide claimed for complementary credits on its FY 2002 FACP, as set out below:

Total shown in Report 611 for Complementary Insurance	\$7,643,383
Accruals booked in FY 2002 charged back to FY 2001 total:	(\$1,421,609)
Accruals booked in FY 2002 charged back to FY 2002 total:	\$526,005
Total FY 2002 Complementary Insurance	\$6,747,780
Total claimed on FY 2002 FACP	\$6,747,786
Variance	\$6

The \$6.00 overstatement for complementary credits in Nationwide FACP for FY 2002 is *de minimis* and the company makes no claim for adjustment of the amount.

OIG Finding as to Unallowable Overhead Allocations:

Nationwide included unallowable CEO and Board of Director costs in the overhead allocation to Medicare. The costs were allocated based on a ration of Medicare salaries to the total salaries for all employees located in Columbus. Because CEO and Board costs benefit all Nationwide employees, we reallocated the costs to Medicare using a ration of Medicare salaries to total salaries companywide. As a result, we are questioning costs totaling \$271,503.

The FAR 31.201-4 states that a cost is allocable if it is assignable or chargeable to one or more costs objectives on the basis of relative benefits received or other equitable relationship.

Nationwide Response:

Nationwide concurs with the finding of the OIG regarding allocation of CEO and Board of Director costs.

OIG Finding s to Executive Compensation Costs:

Executive Compensation

Executive Compensation costs exceeded salary limitations during our audit period. Section 809 of Public Law 104-201 limits amounts that may be claimed for the salaries of the 5 highest paid executives at the contractors' corporate home office. As a result, we are questioning \$212,594 for unallowable executive compensation costs claimed.

Response:

Nationwide concurs with the finding of the OIG regarding Executive Compensation costs.

Termination Costs

Nationwide claimed a 59 percent bonus for an employee instead of using the CMS approved 30 percent rate. As a result, we questioned \$41,505.

Response:

Nationwide disagrees with the finding of the OIG regarding the subject bonus. The auditor appears to have confused retention bonuses for Medicare contractor employees addressed in the Advance Agreement between Nationwide and CMS with the Nationwide Performance Incentive Plan (PIP). PIP is an incentive program available to all executives in the Nationwide Companies. The amount in question was a PIP incentive payment for the Medicare Vice President and not the retention bonus. The amount of the subject bonus is reasonable in light of the requirements of FAR 31.205-6, allocable to Medicare and otherwise allowable. The incentive payment is therefore allowable in its entire amount.

::ODMA\PCDOCS\WSH\334814\1

EXHIBIT

**NATIONWIDE MUTUAL INSURANCE COMPANY
Part B – Final Administrative Cost Proposal
October 1, 1998 through August 31, 2002**

<u>Operation</u>	<u>FY1999 Total Claimed</u>	<u>FY2000 Total Claimed</u>	<u>FY2001 Total Claimed</u>	<u>FY2002 Total Claimed</u>	<u>Total</u>
Bills/Claims Payment	\$ 25,055,614.00	\$ 24,714,854.00	\$ 25,740,458.00	\$ 21,314,692.00	\$ 96,825,618.00
Appeals/Reviews	2,604,860.00	2,517,777.00	2,988,104.00	2,195,164.00	10,305,905.00
Inquires	6,737,344.00	6,652,866.00	3,532,748.00	2,495,725.00	19,418,683.00
Prov Educ & Training	989,445.00	1,044,604.00	1,019,064.00	662,616.00	3,715,729.00
Participating Physician	232,837.00	179,905.00	103,567.00	53,026.00	569,335.00
Productivity Investment	935,029.00	945,497.00	718,623.00	149,361.00	2,748,510.00
Prov Telephone Inq			2,789,130.00	1,629,661.00	4,418,791.00
PM Special Projects	7,000.00				7,000.00
Medical Review	4,058,025.00	4,550,576.00	5,270,093.00	2,899,970.00	16,778,664.00
Medicare Secondary	2,820,201.00	3,114,181.00	3,181,320.00	2,240,777.00	11,356,479.00
Benefits Integrity	1,437,626.00	1,552,089.00	1,789,455.00	1,426,323.00	6,205,493.00
MIP Prov Educ & Train	11,830.00	97,869.00	484,833.00	269,834.00	864,366.00
Non Renewals				713,637.00	713,637.00
Credits	(6,998,533.00)	(7,716,879.00)	(8,196,360.00)	(6,747,786.00)	(29,659,558.00)
Total Claimed Cost	\$ 37,891,278.00	\$ 37,653,339.00	\$ 39,421,035.00	\$ 29,303,000.00	\$ 144,268,652.00
Recommended Adjustments					
Questioned Costs					
Direct Overhead Costs	146,510.00	37,989.00	87,004.00	-	271,503.00
Exec Compensation	24,357.00	59,681.00	73,210.00	55,346.00	212,594.00
Complementary Credits				900,665.00	900,665.00
Total Questioned	\$ 170,867.00	\$ 97,670.00	\$ 160,214.00	\$ 956,011.00	\$ 1,384,762.00
Set Aside Costs					
Postage	550,000.00	800,000.00	700,000.00	731,800.00	2,781,800.00
Sale of Assets				1,181,072.00	1,181,072.00
Equipment	28,069.34	9,138.96	36,091.42	514,632.15	587,931.87
Professional Services	175,709.52	43,776.90	5,245.00	2,643.50	227,374.92
Materials	56,068.29	2,152.57	27,955.70	65,443.55	151,620.11
Travel	29,658.62	14,040.45	3,043.24	16,580.27	63,322.58
Facilities	20,036.59	941.33	39,067.40	0	60,045.32
Miscellaneous	1,959.88	4,650.00	2,904.42	0	9,514.30
Telephone	1,097.02	5,634.73	0	435.95	7,167.70
Total Set Aside Costs	\$ 862,600.00	\$ 880,335.00	\$ 814,306.00	\$ 2,512,608.00	\$ 5,069,849.00