



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General  
Offices of Audit Services

JAN 21 2005

Report Number: A-07-04-00177

Region VII  
601 East 12th Street  
Room 284A  
Kansas City, Missouri 64106

Donald L. Fisher  
Vice President  
Compensation, Benefits, HRIS, and Risk Management  
Highmark, Inc.  
1800 Center Street  
P.O. Box 890089  
Camp Hill, Pennsylvania 17089-0089

Dear Mr. Fisher:

Enclosed are two copies of the Department of Health and Human Services, Office of Inspector General (OIG) report entitled "Audit of Highmark's Unfunded Pension Costs for the Period Covering 1997 Through 2001." A copy of this report will be forwarded to the HHS action official noted on the following page for her review and any action deemed necessary.

The action official will make final determination regarding actions taken on all matters in the report. We request that you respond to the 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 104-231), OIG reports are made available publicly to the extent information contained therein is not subject to exemptions of the Act that the Department chooses to exercise. (See 45 CFR part 5.)

If you have any questions or comments about this report, please do not hesitate to call me at (816) 426-3591, ext. 225, or Jenenne Tambke, Audit Manager, at (573) 893-8338, ext. 21, or through email at [Jenenne.Tambke@oig.hhs.gov](mailto:Jenenne.Tambke@oig.hhs.gov). Please refer to report number A-07-04-00177 in all correspondence.

Sincerely yours,

A handwritten signature in black ink, appearing to read "James P. Aasmundstad".

James P. Aasmundstad  
Regional Inspector General  
for Audit Services

Enclosure – as stated

Page 2 – Mr. Donald L. Fisher

**Direct Reply to HHS Action Official:**

Nancy B. O'Connor  
Acting Regional Administrator, Region III  
Centers for Medicare & Medicaid Services  
Public Ledger Building, Suite 216  
150 South Independence Mall West  
Philadelphia, Pennsylvania 19106

**Department of Health and Human Services**

**OFFICE OF  
INSPECTOR GENERAL**

**AUDIT OF HIGHMARK'S UNFUNDED  
PENSION COSTS FOR THE PERIOD  
COVERING 1997 THROUGH 2001**



**JANUARY 2005  
A-07-04-00177**

# *Office of Inspector General*

<http://oig.hhs.gov>

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The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

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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 awarding agency will make final determination on these matters.



## **EXECUTIVE SUMMARY**

### **BACKGROUND**

Highmark, Inc. (Highmark) administers Medicare Part A and B operations under cost reimbursement contracts with the Centers for Medicare & Medicaid Services (CMS). Highmark was formed by the merger of Veritus, Inc. (Veritus) and Pennsylvania Blue Shield (PBS) on December 6, 1996.

On December 31, 1997, Highmark merged the Veritus pension plan into the PBS pension plan. Effective January 1, 1998, the PBS plan was amended and restated, and became the pension plan for Highmark. For the purposes of this report, the term Highmark will be used to address the findings concerning Part A and B unfunded pension costs for the review period of 1997 through 2001.

### **OBJECTIVES**

Our objectives were to:

- determine if pension costs for the years 1997-2001 were funded in accordance with the Federal Acquisition Regulations (FAR) and the Cost Accounting Standards (CAS) and
- identify and properly account for any accumulated unfunded pension costs, including allowable and reassignable portions.

### **SUMMARY OF FINDINGS**

Highmark funded the pension costs for plan years 1997 through 2001 in accordance with the FAR and the CAS. However, Highmark did not identify correctly or account properly for the additional accumulated unfunded pension costs.

The accumulated unfunded pension costs consists of the accumulated unallowable pension costs and the accumulated reassignable pension costs. Highmark correctly identified and properly accounted for the accumulated reassignable pension costs.

Highmark overstated the accumulated unallowable pension costs by \$236,744 (\$12,882 for the Medicare Part A segment plus \$223,862 for the Other segment). As of January 1, 2002, Highmark determined its accumulated unallowable pension costs to be \$9,660,939; however, audited accumulated unallowable pension costs were \$9,424,195. The overstatements occurred because Highmark started its update of accumulated unallowable pension costs with an incorrect amount for its Part A segment.

## **RECOMMENDATION**

As of January 1, 2002, Highmark should decrease its accumulated unallowable pension costs by \$236,744 (\$12,882 for the Medicare Part A segment plus \$223,862 for the Other segment).

## **AUDITEE'S COMMENTS**

Highmark's comments are summarized in the following paragraphs, and its redacted comments are presented in their entirety in the appendix.

Highmark partially concurred with our report and stated that it:

“ . . . does not concur with the OIG's [the Office of Inspector General] recommendation that it should decrease the accumulated unallowable pension cost by \$236,744, as of January 1, 2002. Highmark concurs that it started its update of accumulated unallowable pension costs with an incorrect amount for its Part A segment . . . “

Highmark contends that:

- OIG assigned certain participants to incorrect segments.
- Audited accumulated unallowable costs of \$9,424,195 represented the total company costs, and overstatement of accumulated unallowable costs of \$236,744 was comprised from an overstatement of both the Medicare Part A segment and Other segment.

## **OIG RESPONSE**

We partially disagree with Highmark's assertion concerning identification of the audited unallowable pension costs.

Our identification of the Medicare segment assets was in accordance with the Medicare contract, and the update of assets was in accordance with CAS 412 and 413. During the course of the audit, we reviewed our identification of the participants and cost centers comprising the Medicare segment with representatives of Highmark and obtained their concurrence. The findings and recommendations of this report are based upon that identification. In its response, Highmark provided revised cost center information for several participants. Although Highmark did not provide us with supporting documentation necessary to accept these revisions, we did compute the impact of such revisions on our report. We determined that including the revised participants did not materially impact the findings of the report, and we will not require Highmark to provide us with the supporting documentation necessary to accept these revisions. Therefore, our position has not changed, and we recommend that Highmark decrease its accumulated unallowable pension costs by \$236,744 as of January 1, 2002.

However, OIG agrees that of the \$236,744 overstatement, \$12,882 relates to Medicare Part A segment and \$223,862 relates to the Other segment. In addition, OIG agrees that the \$9,424,195 in audited costs are the total plan accumulated unallowable pension costs. We have integrated these comments in the report to provide further clarification.

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## **Glossary of Abbreviations and Acronyms**

CAS	Cost Accounting Standards
CFR	Code of Federal Regulations
CMS	Centers for Medicare & Medicaid Services
ERISA	Employees Retirement Income Security Act of 1974
FAR	Federal Acquisition Regulations
OBRA 87	Omnibus Budget Reconciliation Act of 1987
OIG	Office of the Inspector General
PBS	Pennsylvania Blue Shield
TRA 86	Tax Reform Act of 1986

## INTRODUCTION

### BACKGROUND

#### Highmark and Medicare

Highmark administers Medicare Part A and B operations under cost reimbursement contracts. In claiming costs, contractors must follow cost reimbursement principles contained in the FAR, the CAS, and the Medicare contracts.

Since its inception, Medicare has paid a portion of the annual contributions made by contractors to their pension plans. The payments are allowable pension costs under the FAR and its predecessor, the Federal Procurement Regulations (FPR). In 1980, the Medicare contracts and the FPR incorporated CAS 412 and 413.

#### CAS

The CAS deals with stability between contract periods and requires that pension costs be consistently measured and assigned to contract periods. On March 30, 1995, the Office of Federal Procurement Policy, Cost Accounting Standards Board, revised the CAS relating to accounting for pension costs. Unless otherwise noted, the following CAS citations refer to the standards that were in effect before the revision. We refer to the postrevision standards as the revised CAS.

The CAS within 48 CFR 9904.412-50(a)(7) stated:

“If any portion of the pension cost computed for a cost accounting period is not funded in that period, no amount for interest on the portion not funded in that period shall be a component of pension cost of any future cost accounting period.”

Also, the CAS within 48 CFR 9904.412-50(a)(2) stated:

“Pension costs applicable to prior years that were specifically unallowable in accordance with then existing Government contractual provisions . . . shall be separately identified and eliminated from any unfunded actuarial liability being amortized . . . .”

The revised CAS within 48 CFR 9904.412-40(c) imposes the fundamental requirement:

“Assignment of pension cost. Except costs assigned to future periods by 9904.412-50(c)(2) and (5), the amount of pension cost computed for a cost accounting period is assignable only to that period . . . .”

## **FAR**

The FAR addresses the allowability of pension costs and requires that pension costs assigned to contract periods be substantiated by funding. FAR, 48 CFR 31.205-6(j)(3)(i) and (iii), states:

“ . . . costs of pension plans not funded in the year incurred, and all other components of pension costs...assignable to the current accounting period but not funded during it, shall not be allowable in subsequent years. . . .Increased pension costs caused by delay in funding beyond 30 days after each quarter of the year to which they are assignable are unallowable.”

### **Conflict Between the FAR Funding Requirement and Tax Limits**

Pension costs computed in accordance with the CAS typically differ from the contribution amount otherwise determined in accordance with the Employees Retirement Income Security Act of 1974 (ERISA), which added minimum funding requirements and amended the tax-deductible limits in the Internal Revenue Code.

Under tax laws in effect prior to 1986, employers could fund the CAS contribution in excess of the tax-deductible limit, and any excess could be carried forward to future years for future tax deductibility without penalty. Similarly, if contribution deposits exceeded the CAS computed amounts, the excess funding could be carried forward as a prepayment credit to fund allowable contract costs for future years.

The Tax Reform Act of 1986 (TRA 86) changed the effect of making pension plan contributions in excess of the tax-deductible limit. TRA 86 imposed an excise tax of 10 percent on contributions in excess of the tax-deductible limit. The excise tax is cumulative from year to year and applied on a first-in/first-out basis considering carry-forwards and current year contributions.

The Omnibus Budget Reconciliation Act of 1987 added a “current liability” full funding limitation that lowered the tax-deductible limit for many plans, further increasing the conflict between the FAR funding requirement and the excise tax on nondeductible contributions. Many employers could not fund the CAS pension cost without incurring excise tax penalties, yet the FAR provided that unfunded CAS costs could not be carried forward to future years.

However, no conflict existed when the tax-deductible maximum equaled or exceeded the CAS pension cost. In that case, the full CAS pension cost could be funded without incurring a penalty, and any decision to fund less than the CAS cost was a voluntary financial action.

### **Revised CAS**

As previously noted, the CAS relating to accounting for pension costs was revised on March 30, 1995, and became applicable to contractors with the start of the first accounting period thereafter. The revised CAS removed the regulatory conflict between the funding limits of ERISA and the period assignment provisions of the CAS. The new rule allows the

reassignment of prior period pension costs, with interest, which were not funded because they lacked tax deductibility. The contracting officer must approve the method or methods used to reassign the unfunded pension costs.

The CAS revision does not remove the requirement to fund pension costs with contributions that are not in conflict with ERISA. If a contractor could have funded pension costs and chose not to, then the costs and any accrued interest are unallowable in future periods. The unallowable portion of pension costs must be updated, with interest, per the FAR and CAS regulations.

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

### **Objectives**

Our objectives were to:

- determine if the pension costs Highmark allocated to the Medicare contracts for the years 1997 through 2001 were funded in accordance with the FAR and the CAS and
- identify and properly account for any accumulated unfunded pension costs, including the identification of the unallowable and reassignable portions of the accumulated unfunded pension costs.

### **Scope**

Our review covered the period 1997 through 2001. Achieving our objectives did not require that we review the internal control structure of Highmark. However, we did review the controls with regard to the funding of pension costs to ensure that the pension costs had been funded in accordance with the CAS and the FAR.

We performed onsite audit work at Highmark's corporate office in Camp Hill, PA.

### **Methodology**

The CMS Office of the Actuary developed the methodology used for computing the CAS pension costs based on Highmark's historical practices.

In performing the review, we used information provided by Highmark's actuarial consulting firm. The information included assets, liabilities, normal costs, contributions, benefit payments, investment earnings, and administrative expenses. We reviewed Highmark's accounting records, pension plan documents, annual actuarial valuation reports, and Department of Labor/Internal Revenue Service Form 5500s. Using these documents, the CMS pension actuarial staff calculated the assignable CAS pension costs for each year 1997 through 2001 for both the Medicare segment and the business units comprising the rest of the company, which are aggregated and identified as the "Other" segment. Additionally, the CMS pension actuarial staff determined the extent to which Highmark funded those costs with contributions to the pension trust fund. The CMS pension actuarial staff also determined the unallowable and reassignable portions of unfunded pension costs. We reviewed the methodology for the calculations and updated Highmark's unfunded pension costs for the years 1997 through 2001 for both the Medicare segment and the Other segment.

We performed this review in conjunction with our audits of Medicare segmentation (A-07-04-03050) and pension costs claimed for Medicare reimbursement (A-07-04-00163). The information obtained and reviewed during those audits also was used in performing this review.

We performed our review in accordance with generally accepted government auditing standards.

## **FINDINGS AND RECOMMENDATION**

Highmark funded the pension costs allocable to the Medicare contracts for plan years 1997 through 2001 in accordance with the FAR and the CAS. However, Highmark did not identify correctly or account properly for its accumulated unfunded pension costs in accordance with the CAS and the FAR.

The revised CAS requires the identification of the two components of the accumulated unfunded pension costs - the accumulated unallowable pension costs and the accumulated reassignable pension costs. Highmark overstated the accumulated unallowable pension costs by \$236,744 (\$12,882 for the Medicare Part A segment plus \$223,862 for the Other segment). As of January 1, 2002, Highmark determined its accumulated unallowable pension costs to be \$9,660,939; however, the audited accumulated unallowable pension costs were \$9,424,195.

## **ACCUMULATED UNFUNDED PENSION COSTS**

### **CRITERIA - CAS AND FAR**

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. The Medicare contract states:

“The calculation of and accounting for pension costs charged to this agreement/contract are governed by the Federal Acquisition Regulation and Cost Accounting Standards 412 and 413.”

Effective January 1, 1996, the revised CAS allows the assignment of prior period pension costs, with interest, which were not funded because they lacked tax deductibility as accumulated reassignable pension costs. However, the revision to the CAS does not remove the requirement to fund pension costs when contributions are tax deductible. If a contractor could have funded pension costs and chose not to, the costs and any accrued interest are unallowable in future periods. The unallowable portion of pension costs must be updated, with interest, per the FAR and the CAS.

**CONDITION - INCORRECT COMPUTATION OF THE ACCUMULATED UNALLOWABLE PENSION COSTS**

Highmark tracked its unallowable pension costs with interest and determined accumulated unallowable pension costs of \$9,660,939 as of January 1, 2002. However, the actual accumulated unallowable costs were \$9,424,195 as of January 1, 2002. Thus, Highmark incorrectly accumulated unallowable pension costs of \$236,744 as of January 1, 2002. The overstatement, by segment, was as follows:

**Accumulated Unallowable Pension Costs**

	<b>Medicare Part A</b>	<b>Medicare Part B</b>	<b>Other</b>	<b>Total</b>
<b>Highmark</b>	\$12,882	\$2,329,549	\$7,318,508	\$9,660,939
<b>OIG</b>	0	2,329,549	7,094,646	9,424,195
<b>Variance</b>	<u><b>\$12,882</b></u>	<u><b>\$0</b></u>	<u><b>\$223,862</b></u>	<u><b>\$236,744</b></u>

**CAUSE - USE OF INCORRECT UNALLOWABLE BASES**

Highmark started its update of accumulated unallowable pension costs with an incorrect amount for Veritus. Our review of Veritus’s accumulated unallowable pension costs (A-07-04-00175) determined that Veritus had incorrectly calculated its accumulated unallowable pension costs for both its Medicare segment and Other segment for fiscal years 1993 through 1996. Furthermore, Highmark continued to update these incorrect unallowable pension costs in its update of accumulated unallowable pension costs for 1997 through 2001.

**EFFECT - OVERSTATEMENT OF ACCUMULATED UNFUNDED COSTS**

As of January 1, 2002, Highmark overstated the accumulated unallowable pension costs by \$236,774 (\$12,882 for the Medicare Part A segment plus \$223,862 for the Other segment).

**RECOMMENDATION**

As of January 1, 2002, Highmark should decrease its accumulated unallowable pension costs by \$236,774 (\$12,882 for the Medicare Part A segment plus \$223,862 for the Other segment).

**AUDITEE’S COMMENTS**

Highmark’s comments are summarized in the following paragraphs, and its redacted comments are presented in their entirety in the appendix.

Highmark partially concurred with our report and stated that it:

“ . . . does not concur with the OIG’s recommendation that it should decrease the accumulated unallowable pension cost by \$236,744 as of January 1, 2002. Highmark concurs that it started its update of accumulated unallowable pension costs with an incorrect amount for its Part A segment . . . “

Highmark contends that:

- OIG assigned certain participants to incorrect segments.
- Audited accumulated unallowable costs of \$9,424,195 represented the total company costs, and overstatement of accumulated unallowable costs of \$236,744 was comprised from an overstatement of both the Medicare Part A segment and Other segment.

## **OIG RESPONSE**

We partially disagree with Highmark’s assertion concerning identification of the audited unallowable pension costs.

Our identification of the Medicare segment assets was in accordance with the Medicare contract, and the update of assets was in accordance with CAS 412 and 413. During the course of the audit, we reviewed our identification of the participants and cost centers comprising the Medicare segment with representatives of Highmark and obtained their concurrence. The findings and recommendations of this report are based upon that identification. In its response, Highmark provided revised cost center information for several participants. Although Highmark did not provide us with supporting documentation necessary to accept these revisions, we did compute the impact of such revisions on our report. We determined that including the revised participants did not materially impact the findings of the report, and we will not require Highmark to provide us with the supporting documentation necessary to accept these revisions. Therefore, our position has not changed, and we recommend that Highmark decrease its accumulated unallowable pension costs by \$236,744 as of January 1, 2002.

However, OIG agrees that of the \$236,744 overstatement, \$12,882 relates to Medicare Part A segment and \$223,862 relates to the Other segment. In addition, OIG agrees that the \$9,424,195 in audited costs are the total plan accumulated unallowable pension costs. We have integrated these comments in the report to provide further clarification.

# APPENDIX



January 6, 2005

Mr. James P. Aasmundstad  
Regional Inspector General for Audit Services  
DHHS, OIG  
601 East 12<sup>th</sup> Street  
Room 284A  
Kansas City, Missouri 64106

**RE: A-07-04-03050 ("Pension Segmentation Review at Highmark, Inc. of Pennsylvania")**  
**A-07-04-00163 ("Review of Pension Costs Claimed for Medicare Reimbursement**  
**by Highmark Inc. for Fiscal Years 1998 through 2002")**  
**A-07-04-00177 ("Audit of Highmark's Unfunded Pension Costs for the period**  
**covering 1997 Through 2001")**

Dear Mr. Aasmundstad:

Attached is our response to your letters dated November 4, 2004, requesting comments on your draft reports A-07-04-03050 entitled, "Pension Segmentation Review at Highmark, Inc. of Pennsylvania" for the period covering December 31, 1997 to January 1, 2002; A-07-04-00163 entitled, "Review of Pension Costs Claimed for Medicare Reimbursement by Highmark, Inc. for Fiscal Years 1998 through 2002;" and A-07-04-00177 entitled, "Audit of Highmark's Unfunded Pension Costs for the period covering 1997 through 2001."

If you have any questions, please feel free to contact me at 717-302-4175.

Sincerely,

A handwritten signature in cursive script that reads "Donald L. Fisher".

Donald L. Fisher, Vice President  
Compensation, Benefits, HRIS &  
Risk Management

cc: James Chiado  
Elizabeth Farbacher  
Patrick Kiley  
Anthony Lobato  
Gayeta Porter  
J. Richard Little  
Stephen Walker

**Corporate Offices:**

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www.highmark.com

*Audit of Highmark's*  
**Unfunded Pension Cost**

**Period Covering 1997 through 2001**

**Highmark Comments to OIG Draft Report**  
**A-07-04-00177**

## Highmark's Comments on Report Number A-07-04-00177

Highmark does not concur with the OIG's recommendation that it should decrease the accumulated unallowable pension cost by \$236,744, as of January 1, 2002. Highmark concurs that it started its update of accumulated unallowable pension costs with an incorrect amount for its Part A segment but, however, believes the amount overstated as of January 1, 2002, would be impacted if the calculations were revised for the participants identified in Exhibits I, II, III and IV. For the reasons described below, Highmark requests that such revisions be made.

As noted in the attachments, the cost center numbers shown for some participants in the listings provided to the OIG were in error; consequently, the segment assignment by the OIG is incorrect for those participants. The error occurred when participant listings with cost centers were recreated from several source documents for the audit. In some cases, a participant terminated and was subsequently rehired, but the listing included the original termination cost center rather than the employee's last active cost center. In other cases, the first digit of some Veritus Inc. cost center numbers were inadvertently omitted. When cost centers were transferred from Veritus Inc. to Highmark's system, they only had three digits and some were duplicates of Pennsylvania Blue Shield (PBS) cost center numbers. In early 1998, a fourth digit was added to the beginning of all Veritus Inc. cost center numbers to avoid duplicate numbers and provide clear distinction between a former Veritus Inc. versus PBS cost center numbers. Highmark's pension actuary doesn't use or maintain cost center numbers, but rather utilizes a segment indicator to assign participants to a segment. Although these old Veritus Inc. cost center numbers created some confusion during the audit, Highmark's pension actuary for the most part assigned participants correctly even though a source document provided to the auditors may have contained some old Veritus Inc. cost center numbers. In addition, since the segment indicator doesn't change upon an employee's termination, it is not necessary to continue to identify the segment assignment for cost centers for retirees and terminated-vested participants who terminated in prior years – only the segment indicator.

In addition to the above issues, there are other participant assignments made by the OIG that Highmark believes are incorrect, as noted in Exhibits I, II, III and IV.

Furthermore, the report states in the summary of findings: "As of January 1, 2002, Highmark determined its accumulated unallowable pension costs to be \$9,660,939; however, the

audited accumulated unallowable pension costs for the Medicare segment are \$9,424,195.”

Highmark believes this statement could be misleading, because the audited accumulated unallowable pension costs of \$9,424,195 includes \$7,094,646 of accumulated unallowable pension costs assigned to the indirect segment. The \$9,424,195 of accumulated unallowable pension costs represents the total for the Plan – not just the Medicare segments. Of the \$236,744 in overstated accumulated unallowable pension costs, \$12,882 is assigned to the Medicare Part A segment and \$223,862 to the indirect segment.

Accordingly, Highmark requests that the OIG revise their calculation for the participants identified in Exhibits I, II, III and IV.

Participants not included in the Medicare B Segment by OIG that Should Be

Participant	Segment	Cost Center		Valuation Impacted	Explanation	
		Number	Name			
<i>"Data Redacted by OAS Auditors"</i>	Medicare B	399	Special Correspondence (In 1988 it was titled Provider Telephone & General Inquiry Services)	1998 1999 2000 2001 2002	This participant retired in 1988 from Cost Center 399 and began collecting her retirement benefit. Cost Center 399 was a Medicare Part B cost center at that time. She later worked part-time in Cost Center 398, which is also a Medicare B cost center according to information provided to OIG by Highmark. She did not accrue any additional service after commencing retirement benefit payments.	
	Medicare B	020	Medicare Incoming Mail	1998 1999	This Cost Center was in Medicare Part B when the employee terminated in 1979 with a vested benefit. The cost center is listed as Medicare B on the information provided to OIG by Highmark.	
	Medicare B	20	Medicare Incoming Mail	1998 1999 2000 2001 2002	This Cost Center was in Medicare Part B when the employee terminated in 1986 with a vested benefit. The cost center is listed as Medicare B on the information provided to OIG by Highmark.	
	Medicare B	185	Medicare Medical Review - Sect. A	1999 2000 2001 2002	This Cost Center was in Medicare Part B when the employee terminated in 1988 with a vested benefit. The cost center is listed as Medicare B on the information provided to OIG by Highmark.	
	Medicare B	185	XACT Medicare Medical Review	2000 2001 2002	This Cost Center was in Medicare Part B when the employee terminated in 1999 with a vested benefit. The cost center is listed as Medicare B on the information provided to OIG by Highmark.	
	Medicare B	431	XACT Medicare Telephone Services	2000 2001 2002	This employee terminated with a vested benefit from Cost Center 431 in 1999. Prior to termination she had been on leave of absence for an extended period of time. At the time of her termination Cost Center 431 was in the Medicare B segment. The cost center is listed as a Medicare B cost center on the list provided to the auditors.	
	Medicare B	105	XACT Medicare EMC Edit/Suspensions	2000 2001 2002	This employee terminated with a vested benefit from Cost Center 105 in 1999. Prior to termination she had been on leave of absence for an extended period of time. At the time of her termination Cost Center 105 was in the Medicare B segment. The cost center is listed as a Medicare B cost center on the list provided to the auditors.	

Participants not included in the Medicare B Segment by OIG that **Should Be**

Participant	Segment	Cost Center		Valuation Impacted	Explanation
		Number	Name		
<i>"Data Redacted by OAS Auditors"</i>	Medicare B	105	XACT Medicare EMC Edit/Suspensions	2000 2001 2002	This employee terminated with a vested benefit from Cost Center 105 in 1999. Prior to termination she had been on leave of absence for an extended period of time. At the time of her termination Cost Center 105 was in the Medicare B segment. The cost center is listed as a Medicare B cost center on the list provided to the auditors.
	Medicare B	474	XACT Medicare Core Svc. Post Payment Processing	2000 2001	This employee terminated with a vested benefit from Cost Center 474 in 1999. Prior to termination she had been on leave of absence for an extended period of time. At the time of her termination Cost Center 474 was in the Medicare B segment. The cost center is listed as a Medicare B cost center on the list provided to the auditors.
	Medicare B	171	Xact Medicare Inquiry Control	2001 2002	This employee terminated with a vested benefit from Cost Center 171 in 1999. Her Social Security number differs by one digit from the actuary's record for that year. Cost Center 171 was a Medicare B cost center in 1999 and is listed as a Medicare B cost center on the information provided to the auditors.
	Medicare B	185	Medicare Claims Review	2001 2002	This employee terminated with a vested benefit from Cost Center 185 in 1983. Cost Center 185 was a Medicare B cost center in 1983.
	Medicare B	399	Provider Telephone & General Inquiry Services	2002	This employee terminated in 1990 with a vested benefit from Cost Center 399. This cost center was in the Medicare B segment in 1990.

Participant	Segment	Cost Center		Valuation Impacted	Explanation
		Number	Name		
<i>"Data Redacted by OAS Auditors"</i>	Indirect	189	PA/DEL Champus	1998 1999 2000 2001 2002	This participant terminated with a vested benefit in 1980 from Cost Center 189. Based on the cost center review dated November 1980, cost center 189 was called PA/DEL Champus. Based on the name and the fact the CC was in the Corporate area (not in the GBU), cost center 189 should NOT have been in the Medicare segment. CC 189 was not on the Medicare B list provided to the auditors.
	Indirect	5	Sr, VP Mid-Atlantic Region	1998 1999 2000 2001 2002	This participant terminated with a vested benefit from Cost Center 05 in 1997. Cost center 005 was not in the Medicare segment in 1997 when this participant terminated. The last year it was included in the Medicare B segment was 1996.
	Indirect	77	Employee Relations	1998 1999 2000 2001 2002	This participant retired from Cost Center 077 in 1984. Cost center 077 was not included on the list of Medicare B cost centers provided to the auditors. It was not in the Medicare segment in 1984 when this person terminated.
	Medicare A	4372	Medicare A - Provider Field Audit, West	1998 1999 2000 2001 2002	The participant information provided to OIG was in error. This participant terminated from Cost Center 4372 with a vested benefit in 1998. The first digit of this cost center was missing. When cost centers were transferred from Veritus to Highmark's system, they only had three digits. In early 1998 a fourth digit was added to the beginning of the three digit cost center number. This Cost Center 4372, was determined to have been in the Medicare A segment when this employee terminated employment.
	Indirect	4441	Provider Data Services	1998 1999 2000 2001 2002	The participant information provided to OIG was in error. This participant terminated from Cost Center 4441 with a vested benefit in 1998. The first digit of this cost center was missing. When cost centers were transferred from Veritus to Highmark's system, they only had three digits. In early 1998 a fourth digit was added to the beginning of the three digit cost center number. This Cost Center 4441, was determined NOT to have been in the Medicare B segment when this employee terminated employment.

Participants included in the Medicare B Segment by OIG that Should Not Be

Participant	Segment	Cost Center		Valuation Impacted	Explanation
		Number	Name		
<i>"Data Redacted by OAS Auditors"</i>	Indirect	4426	Director, Training & Development	1998	The participant information provided to OIG was in error. This participant was active in Cost Center 4426 on 1/1/98. The first digit of this cost center was missing. When cost centers were transferred from Veritus to Highmark's system, they only had three digits. In early 1998 a fourth digit was added to the beginning of the three digit cost center number. This Cost Center 4426, was determined NOT to have been in the Medicare B segment in 1998.
	Indirect	4685	Executive Inquiry & Grievance Admin.	1998	The participant information provided to OIG was in error. This participant was active in Cost Center 4685 on 1/1/98. The first digit of this cost center was missing. When cost centers were transferred from Veritus to Highmark's system, they only had three digits. In early 1998 a fourth digit was added to the beginning of the three digit cost center number. This Cost Center 4685, was determined NOT to have been in the Medicare B segment in 1998.
	Indirect	4196	Government & Public Affairs	1998	The participant information provided to OIG was in error. This participant was active in Cost Center 4196 on 1/1/98. The first digit of this cost center was missing. When cost centers were transferred from Veritus to Highmark's system, they only had three digits. In early 1998 a fourth digit was added to the beginning of the three digit cost center number. This Cost Center 4196, was determined NOT to have been in the Medicare B segment in 1998.
	Indirect	158	VP, Govt. Affairs	1999 2000 2001 2002	This participant terminated from Cost Center 158 in 1998 with a vested benefit. Cost Center 158 was determined NOT to have been in the Medicare segment when this person terminated
	Indirect	4473	AVI, Subsidiary Accounting	1998	The participant information provided to OIG was in error. This participant was active in Cost Center 4473 on 1/1/98. The first digit of this cost center was missing. When cost centers were transferred from Veritus to Highmark's system, they only had three digits. In early 1998 a fourth digit was added to the beginning of the three digit cost center number. This Cost Center 4473, was determined NOT to have been in the Medicare B segment in 1998.
	Medicare A	4372	Medicare A - Provider Field Audit	1998	The participant information provided to OIG was in error. This participant was active in Cost Center 4372 on 1/1/98. The first digit of this cost center was missing. When cost centers were transferred from Veritus to Highmark's system, they only had three digits. In early 1998 a fourth digit was added to the beginning of the three digit cost center number. This Cost Center 4372, was determined to have been in the Medicare A segment in 1998.

Participants included in the Medicare B Segment by OIG that **Should Not Be**

Participant	Segment	Cost Center		Valuation Impacted	Explanation
		Number	Name		
<i>"Data Redacted by OAS Auditors"</i>	Indirect	4426	Director, Training & Development	1998	The participant information provided to OIG was in error. This participant was active in Cost Center 4426 on 1/1/98. The first digit of this cost center was missing. When cost centers were transferred from Veritus to Highmark's system, they only had three digits. In early 1998 a fourth digit was added to the beginning. This Cost Center 4426, was determined NOT to have been in the Medicare B segment in 1998.
	Indirect	4426	Director, Training & Development	1998	The participant information provided to OIG was in error. This participant was active in Cost Center 4426 on 1/1/98. The first digit of this cost center was missing. When cost centers were transferred from Veritus to Highmark's system, they only had three digits. In early 1998 a fourth digit was added to the beginning. This Cost Center 4426, was determined NOT to have been in the Medicare B segment in 1998.
	Indirect	140	OSCAR Analysis	1999	Participant information provided to auditors indicates this employee was in cost center 166. She was in that cost center up through 1993. However, on 1/1/99, she was in cost center 140. Cost center 140 was not a Part B cost center in 1999. The cost center information provided was from a prior record, before a transfer of the employee.
	Indirect	763	KHPC Int/Prog Ded Unit	1999	Participant information provided to auditors indicates this employee was in cost center 680. She was in that cost center up through 1994. However, on 1/1/99, she was in cost center 763. Cost center 763 was not a Medicare Part B cost center in 1999. The cost center information provided was from a prior record, before a transfer of the employee from one company to another. She terminated from 763 in 2001.
	Indirect	2193	TFMDP Customer Service	1999	Participant information provided to auditors indicates this employee was in cost center 274. She was in that cost center into 1996. However, on 1/1/99, she was in cost center 2193. Cost center 2193 was not a Medicare Part B cost center in 1999. The cost center information provided was from a prior record before a transfer of the employee from one company to another. She terminated from 274 in 2002.

Participants included in the Medicare B Segment by OIG that **Should Not Be**

Participant	Segment	Cost Center		Valuation Impacted	Explanation
		Number	Name		
<i>"Data Redacted by OAS Auditors"</i>	Indirect	84	Director, Compensation & Benefits	1999	Participant information provided to auditors indicates this employee was in cost center 106. She was in that cost center until 1989, when she terminated. She was later re-hired. On 1/1/99, she was in cost center 084. Cost center 084 was not a Medicare Part B cost center in 1999. The cost center information provided was from a prior record before the termination and rehire of the employee.

Participants not included in the Medicare A Segment by OIG that Should Be

Participant	Segment	Cost Center		Valuation Impacted	Explanation
		Number	Name		
<i>"Data Redacted by OAS Auditors"</i>	Medicare A	4372	Medicare A - Provider Field Audit, West	1998 1999 2000 2001 2002	Research indicates this employee terminated with a vested benefit in 1996 from Cost Center 4372, which was determined to be in the Medicare A segment.
	Medicare A	4372	Medicare A - Provider Field Audit, West	1998 1999 2000 2001 2002	The participant information provided to OIG was in error. The first digit of this cost center was missing. When cost centers were transferred from Veritus to Highmark's system, they only had three digits. In early 1998 a fourth digit was added to the beginning. This participant was in Cost Center 4372 all of 1998. This cost center was determined to have been in the Medicare A segment in 1998 when this employee terminated employment with a vested benefit.
	Medicare A	4372	Medicare A - Provider Field Audit, West	1998	Participant information provided to OIG was in error. The first digit of this cost center was missing. When cost centers were transferred from Veritus to Highmark's system, they only had three digits. In early 1998 a fourth digit was added to the beginning. This participant was active in Cost Center 4372 on 1/1/98. This cost center was determined to have been in the Medicare A segment in 1998. This employee was not vested when he terminated employment in 1998.
	Medicare A	4546	Medicare A - Determination II	1998 1999 2000 2001 2002	Participant information provided to OIG was in error. The first digit of this cost center was missing. When cost centers were transferred from Veritus to Highmark's system, they only had three digits. In early 1998 a fourth digit was added to the beginning of the three digit cost center number. This employee terminated with a vested benefit from Cost Center 4546 in 1997. This cost center was determined to have been in the Medicare A segment when this employee terminated employment.
	Medicare A	4443	Medicare A - Medical Review	1998 1999	Participant information provided to OIG was in error. The first digit of this cost center was missing. When cost centers were transferred from Veritus to Highmark's system, they only had three digits. In early 1998 a fourth digit was added to the beginning of the three digit cost center number. This employee was active in Cost Center 4443 on 1/1/98. This cost center was determined to have been in the Medicare A segment on 1/1/98. It is included on the listing provided to the auditors.

Participants **not** included in the Medicare A Segment by OIG that **Should Be**

Participant	Segment	Cost Center		Valuation Impacted	Explanation
		Number	Name		
<i>"Data Redacted by OAS Auditors"</i>	Medicare A	1322	Medicare A - Chief Financial Officer & Contract Management	2002	This employee was active employee in Cost Center 1322 on 1/1/02. This cost center first became part of the Medicare A segment in 2001. It is on the list that was provided to the auditors as a Medicare A cost center.
	Medicare A	1322	Medicare A - Chief Financial Officer & Contract Management	2002	This employee was active employee in Cost Center 1322 on 1/1/02. This cost center first became part of the Medicare A segment in 2001. It is on the list that was provided to the auditors as a Medicare A cost center.
	Medicare A	1322	Medicare A - Chief Financial Officer & Contract Management	2002	This employee was active employee in Cost Center 1322 on 1/1/02. This cost center first became part of the Medicare A segment in 2001. It is on the list that was provided to the auditors as a Medicare A cost center.
	Medicare A	1322	Medicare A - Chief Financial Officer & Contract Management	2002	This employee was active employee in Cost Center 1322 on 1/1/02. This cost center first became part of the Medicare A segment in 2001. It is on the list that was provided to the auditors as a Medicare A cost center.
	Medicare A	1322	Medicare A - Chief Financial Officer & Contract Management	2002	This employee was active employee in Cost Center 1322 on 1/1/02. This cost center first became part of the Medicare A segment in 2001. It is on the list that was provided to the auditors as a Medicare A cost center.
	Medicare A	1322	Medicare A - Chief Financial Officer & Contract Management	2002	This employee was active employee in Cost Center 1322 on 1/1/02. This cost center first became part of the Medicare A segment in 2001. It is on the list that was provided to the auditors as a Medicare A cost center.
	Medicare A	1322	Medicare A - Chief Financial Officer & Contract Management	2002	This employee was active employee in Cost Center 1322 on 1/1/02. This cost center first became part of the Medicare A segment in 2001. It is on the list that was provided to the auditors as a Medicare A cost center.
	Medicare A	1322	Medicare A - Chief Financial Officer & Contract Management	2002	This employee was active employee in Cost Center 1322 on 1/1/02. This cost center first became part of the Medicare A segment in 2001. It is on the list that was provided to the auditors as a Medicare A cost center.

Participants included in the Medicare A Segment by OIG that **Should Not Be**

Participant	Segment	Cost Center		Valuation Impacted	Explanation
		Number	Name		
<i>"Data Redacted by OAS Auditors"</i>	Indirect	366	Inter-plan Processsing	1998 1999 2000 2001 2002	This employee was in PBS Cost Center 366 as of 1/1/98 and terminated with a vested benefit in 1998. Cost center 366 was on the list as a Veritus Part A Medicare cost center in 1997. In 1998 it became cost center 4366. This employee was in 366, a PBS indirect segment cost center. Auditors probably thought this was the Veritus Part A cost center - 366 that was on the list in 1997.
	Indirect	363	Staff Support - Special Programs	1998	This employee was in PBS Cost Center 363 as of 1/1/98 and terminated with a vested benefit in 1998. Cost center 363 was on the list as a Veritus Part A Medicare cost center in 1997. In 1998 it was no longer on that list. This employee was in 363, a PBS indirect segment cost center. Auditors probably thought this was the Veritus Part A cost center - 363 that was on the list in 1997.
	Indirect	363	Staff Support - Special Programs	1998	This employee was active in PBS Cost Center 363 as of 1/1/98. Cost center 363 was on the list as a Veritus Part A Medicare cost center in 1997. In 1998 it is no longer on that list. This employee was in 363, a PBS indirect segment cost center. Auditors probably thought this was the Veritus Part A cost center - 363 - that was on the list in 1997. (Termed with a vested benefit from 363 in 2000.)
	Indirect	363	Staff Support - Special Programs	1998	This employee was in PBS Cost Center 363 as of 1/1/98 and upon termination in 1998. Cost center 363 was on the list of Veritus Part A Medicare cost centers in 1997. In 1998 it is not on the list. This employee was in 363, a PBS indirect segment cost center. Auditors probably thought this was the Veritus Medicare A cost center - 363-that was on the list in 1997.