



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General
Offices of Audit Services

OCT 04 2004

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

Report Number: A-07-04-03054

Mr. Steven E. Kerr, CPA
Director of Financial Management Reporting
Blue Cross Blue Shield of Tennessee
801 Pine Street
Chattanooga, Tennessee 37402-2555

Dear Mr. Kerr:

Enclosed are two copies of the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG) report entitled "Review of Pension Costs Claimed by Blue Cross Blue Shield of Tennessee." A copy of this report will be forwarded to the action official noted below for her review and any action deemed necessary.

Final determination as to actions taken on all matters reported will be made by the HHS action official named below. 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.

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If you have any questions or comments about this report, do not hesitate to call me or Jenenne Tambke, Audit Manager at (573) 893-8338, ext. 21 or through e-mail at jenenne.tambke@oig.hhs.gov. To facilitate identification, please refer to Report Number A-07-04-03054 in all correspondence relating to this report.

Sincerely,

James P. Aasmundstad
Regional Inspector General
for Audit Services

Enclosures – as stated

Page 2 – Mr. Steven E. Kerr, CPA

Direct Reply to HHS Action Official:

Rose Crum-Johnson
Regional Administrator
Centers for Medicare & Medicaid Services
Atlanta Federal Center
61 Forsyth Street, S.W., Suite 4T20
Atlanta, Georgia 30303-8909

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF PENSION COSTS
CLAIMED BY BLUE CROSS BLUE
SHIELD OF TENNESSEE**



**AUGUST 2004
A-07-04-03054**

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 awarding agency will make final determination on these matters.



EXECUTIVE SUMMARY

BACKGROUND

Blue Cross Blue Shield of Tennessee (Tennessee) administers Medicare Part A operations under a cost reimbursement contract with Centers for Medicare & Medicaid Services (CMS). Since its inception, Medicare has paid a portion of Medicare contractors' annual contributions to their pension plans. In claiming costs, contractors are to follow cost reimbursement principles contained in Federal Acquisition Regulations (FAR), Cost Accounting Standards (CAS), and the Medicare contracts.

The Medicare contracts provide for either an allocation or a separate calculation of pension costs. However, the separate calculation method must be used if there is a material difference between the two methods.

OBJECTIVE

The objective of our review was to determine the allowability of pension costs claimed for Medicare reimbursement for Fiscal Years (FYs) 1994 through 2002.

SUMMARY OF FINDING

Tennessee over claimed allowable Medicare pension costs for FY 1994 through FY 2002. During this period, the allowable Medicare pension costs were \$3,024,262. However, Tennessee claimed pension costs of \$3,708,813 for Medicare reimbursement. The over claim occurred because Tennessee did not correctly identify the Medicare segment according to the Medicare contract. As a result, Tennessee claimed \$684,551 of unallowable pension costs.

RECOMMENDATION

Tennessee should revise its Final Administrative Cost Proposals (FACPs) for FYs 1994 through 2002 to eliminate unallowable CAS pension costs of \$684,551.

AUDITEE COMMENTS

Tennessee agreed with our report, and stated they would adjust their FACPs for FYs 1994 through 2002. Tennessee's comments are shown in their entirety in Appendix B.

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Glossary of Abbreviations and Acronyms

CAS	Cost Accounting Standards
CMS	Centers for Medicare and Medicaid Services
FACP	Final Administrative Cost Proposal
FAR	Federal Acquisition Regulations
FY	Fiscal Year
OIG	Office of Inspector General

INTRODUCTION

BACKGROUND

Medicare

Tennessee administers Medicare Part A operations under cost reimbursement contracts. In claiming costs, contractors are to follow cost reimbursement principles contained in FAR, CAS and the Medicare contracts.

Medicare reimburses its portion of Tennessee's annual pension costs. To be allowable for Medicare reimbursement, pension costs must be (1) measured, assigned, and allocated in accordance with CAS 412 and 413, and (2) funded as specified by Part 31 of FAR.

Additionally, CMS incorporated specific segmentation language into Medicare contracts starting with FY 1988. The contracts provide for either an allocation or a separate calculation of pension costs. Under an allocation method, a contractor determines total plan CAS costs and allocates a share to Medicare. Under the separate calculation method, a contractor separately identifies the normal costs and amortization for the Medicare segment. The separate calculation method must be used if there is a material difference between the two methods.

Regulations

The determination and allocation of pension costs are addressed by the Medicare contract, which 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."

FAR addresses allowability of pension costs and requires that pension costs assigned to contract periods be substantiated by funding.

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.

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.

OBJECTIVE, SCOPE AND METHODOLOGY

Objective

The objective of our review was to determine the allowability of pension costs claimed by Tennessee for Medicare reimbursement for FYs 1994 through 2002.

Scope

We reviewed pension costs claimed on Tennessee's FACPs for Medicare reimbursement for FY 1994 through FY 2002. Achieving the objective did not require a review of Tennessee's internal control structure.

We performed site work at Tennessee's corporate office in Chattanooga, Tennessee.

Methodology

We identified Tennessee's CAS pension costs for the total company and for the Medicare segment. We also determined the extent to which Tennessee funded CAS pension costs with contributions to the pension trust fund and accumulated prepayment credits. Using this information, we calculated CAS pension costs that are allowable for Medicare reimbursement for FY 1994 through FY 2002. The calculations were based on separately computed CAS pension costs for the Medicare segment and total company CAS pension costs. The CMS Office of the Actuary developed the methodology used for computing allowable CAS pension costs based on Tennessee's historical practices. We reviewed the methodology and calculations. Appendix A contains the details on the pension costs and contributions.

In conducting our review, we used information provided by Tennessee's actuarial firms. The information included pension assets, liabilities, normal costs, contributions, benefit payments, investment earnings, and administrative expenses. We examined Tennessee's accounting records, pension plan documents, annual valuation reports, FACPs, and the Department of Labor/Internal Revenue Service Form 5500s.

This review was done in conjunction with our review of Tennessee's pension segmentation (Report Number: A-07-03-03043), and unfunded pension costs (Report Number: A-07-04-00165). The information obtained and reviewed during those audits was also used in performing this review.

Our review was performed in accordance with generally accepted government auditing standards.

FINDING AND RECOMMENDATION

Tennessee over claimed allowable Medicare pension costs for FYs 1994 through 2002. During this period, the allowable Medicare pension costs were \$3,024,262. However, Tennessee claimed pension costs of \$3,708,813 for Medicare reimbursement. As a result, Tennessee over claimed \$684,551 of pension costs.

CRITERIA: MEDICARE CONTRACT

The determination and allocation of pension costs are addressed by the Medicare contract, which 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.”

Furthermore, the Medicare segment is identified as:

“...any organizational component of the contractor, such as a division, department, or other similar subdivision, having a significant degree of responsibility and accountability for the Medicare contract/agreement, in which:

1. The majority of the salary dollars is allocated to the Medicare agreement/contract; or,
2. Less than a majority of the salary dollars is allocated to the Medicare agreement/contract, and these salary dollars represent 40 percent or more of the total salary dollars allocated to the Medicare agreement/contract.”

CONDITION: OVERCLAIM OF \$684,551

Tennessee over claimed \$684,551. For FYs 1994 through 2002 Tennessee charged \$3,708,813 of pension costs to Medicare. However, the allowable CAS Pension costs for the period were \$3,024,262.

We compared our calculated allowable CAS pension costs to the pension costs claimed on Tennessee’s FACPs and found:

Pension Cost Claimed Variance				
FISCAL YEAR	PER OIG	PER TENNESSEE	DIFFERENCE	
1994	138,652	156,227	17,575	
1995	110,342	184,091	73,749	
1996	203,316	257,967	54,651	
1997	214,101	250,000	35,899	
1998	274,796	399,598	124,802	
1999	348,242	367,011	18,769	
2000	369,250	347,508	-21,742	
2001	528,055	793,236	265,181	
2002	837,508	953,175	115,667	
Total	\$3,024,262	\$3,708,813	\$684,551	

CAUSE: INCORRECT IDENTIFICATION OF MEDICARE SEGMENT

Tennessee had incorrectly identified the Medicare segment during the audited period. Consequently, Tennessee had overstated the CAS pension costs allocable to the Medicare segment.

EFFECT: UNALLOWABLE COSTS OF \$684,551

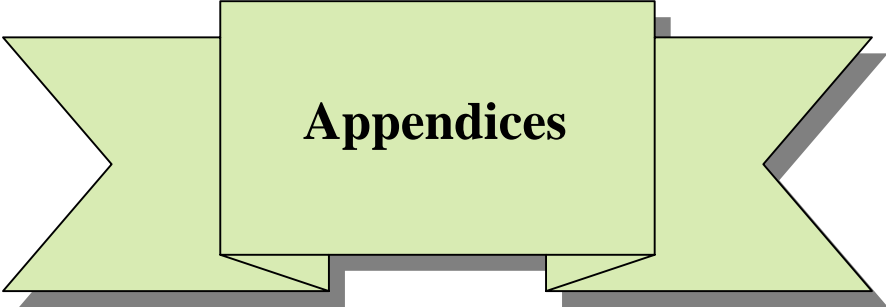
Tennessee claimed \$684,551 of unallowable CAS pension costs.

RECOMMENDATION

Tennessee should revise its FACPs for FYs 1994 through 2002 to eliminate the unallowable CAS pension costs of \$684,551.

AUDITEE COMMENTS

Tennessee agreed with our report, and stated they would adjust their FACPs for FYs 1994 through 2002. Tennessee's comments are shown in their entirety in Appendix B.



BLUE CROSS BLUE SHIELD OF TENNESSEE
STATEMENT OF ALLOWABLE CAS PENSION COSTS
FOR FISCAL YEARS 1994 THROUGH 2002

Date	Description		Total Company	Other Segments	Medicare Segment
1994	Contribution(s)	1/	\$4,848,508	\$4,792,035	\$56,473
9.00%	Discount for Interest	2/	(273,025)	(269,845)	(3,180)
1/1/94	Pres Val Contributions	3/	4,575,483	4,522,190	53,293
1/1/94	Prepayment Credit	4/	1,458,871	1,405,571	53,300
1/1/94	Pres Value of Funding	5/	6,034,354	5,927,761	106,593
1/1/94	Assigned Pension Cost	6/	3,268,011	3,161,418	106,593
1/1/94	CAS Funding Target	7/	3,268,011	3,161,418	106,593
1/1/94	% Funded	8/		100.00%	100.00%
1/1/94	Funded Pension Cost	9/		3,161,418	106,593
	Allowable Interest	10/		99,498	3,020
	Allocable Pension Costs	11/		3,260,916	109,613
	Fiscal Year Pension Cost	12/		2,948,176	101,265
	Medicare LOB%	13/		1.67%	88.30%
	Allowable Pension Cost	14/	138,652	49,235	89,417
Date	Description		Total Company	Other Segments	Medicare Segment
1995	Contribution(s)		\$6,492,097	\$6,489,304	\$2,793
9.00%	Discount for Interest		(426,510)	(426,327)	(183)
1/1/95	Pres Val Contributions		6,065,587	6,062,977	2,610
1/1/95	Prepayment Credit		2,987,651	2,907,083	80,568
1/1/95	Pres Value of Funding		9,053,238	8,970,060	83,178
1/1/95	Assigned Pension Cost		3,084,408	3,001,230	83,178
1/1/95	CAS Funding Target		3,084,408	3,001,230	83,178
1/1/95	% Funded			100.00%	100.00%
1/1/95	Funded Pension Cost			3,001,230	83,178
	Allowable Interest			5,668	157
	Allocable Pension Cost			3,006,898	83,335
	Fiscal Year Pension Cost			3,070,400	89,907
	Medicare LOB%			1.18%	82.43%
	Allowable Pension Cost		110,342	36,231	74,111

BLUE CROSS BLUE SHIELD OF TENNESSEE
STATEMENT OF ALLOWABLE CAS PENSION COSTS
FOR FISCAL YEARS 1994 THROUGH 2002

Date	Description	Total Company	Other Segments	Medicare Segment
1996	Contribution(s)	\$4,519,658	\$4,519,658	\$0
8.75%	Discount for Interest	(341,647)	(341,647)	0
1/1/96	Pres Val Contributions	4,178,011	4,178,011	0
1/1/96	Prepayment Credit	5,009,521	4,798,309	211,212
1/1/96	Pres Value of Funding	9,187,532	8,976,320	211,212
1/1/96	Assigned Pension Cost	5,009,521	4,798,309	211,212
1/1/96	CAS Funding Target	5,009,521	4,798,309	211,212
1/1/96	% Funded		100.00%	100.00%
1/1/96	Funded Pension Cost		4,798,309	211,212
	Allowable Interest		0	0
	Allocable Pension Cost		4,798,309	211,212
	Fiscal Year Pension Cost		4,350,452	179,247
	Medicare LOB%		.77%	94.74%
	Allowable Pension Cost	203,316	\$33,498	169,818
Date	Description	Total Company	Other Segments	Medicare Segment
1997	Contribution(s)	\$6,602,708	\$6,598,967	\$3,741
8.75%	Discount for Interest	(493,469)	(493,189)	(280)
1/1/97	Pres Val Contributions	6,109,239	6,105,778	3,461
1/1/97	Prepayment Credit	6,124,468	5,978,269	146,199
1/1/97	Pres Value of Funding	12,233,707	12,084,047	149,660
1/1/97	Assigned Pension Cost	6,269,514	6,119,854	149,660
1/1/97	CAS Funding Target	6,269,514	6,119,854	149,660
1/1/97	% Funded		100.00%	100.00%
1/1/97	Funded Pension Cost		6,119,854	149,660
	Allowable Interest		8,524	208
	Allocable Pension Cost		6,128,378	149,868
	Fiscal Year Pension Cost		5,795,856	165,208
	Medicare LOB%		.92%	97.32%
	Allowable Pension Cost	214,101	53,321	160,780

BLUE CROSS BLUE SHIELD OF TENNESSEE
STATEMENT OF ALLOWABLE CAS PENSION COSTS
FOR FISCAL YEARS 1994 THROUGH 2002

Date	Description	Total Company	Other Segments	Medicare Segment
1998	Contribution(s)	\$21,778,325	\$21,772,227	\$6,098
8.75%	Discount for Interest	(1,711,177)	(1,710,698)	(479)
1/1/98	Pres Val Contributions	20,067,148	20,061,529	5,619
1/1/98	Prepayment Credit	6,471,150	6,259,252	211,898
1/1/98	Pres Value of Funding	26,538,298	26,320,781	217,517
1/1/98	Assigned Pension Cost	6,642,757	6,425,240	217,517
1/1/98	CAS Funding Target	6,642,757	6,425,240	217,517
1/1/98	% Funded		100.00%	100.00%
1/1/98	Funded Pension Cost		6,425,240	217,517
	Allowable Interest		10,582	358
	Allocable Pension Cost		6,435,822	217,875
	Fiscal Year Pension Cost		6,358,954	200,880
	Medicare LOB%		1.23%	97.86%
	Allowable Pension Cost	274,796	78,215	196,581
Date	Description	Total Company	Other Segments	Medicare Segment
1999	Contribution(s)	\$2,476,195	\$2,476,195	\$0
8.00%	Discount for Interest	(204,456)	(204,456)	0
1/1/99	Pres Val Contributions	2,271,739	2,271,739	0
1/1/99	Prepayment Credit	7,507,465	7,224,176	283,289
1/1/99	Pres Value of Funding	9,779,204	9,495,915	283,289
1/1/99	Assigned Pension Cost	7,507,465	7,224,176	283,289
1/1/99	CAS Funding Target	7,507,465	7,224,176	283,289
1/1/99	% Funded		100.00%	100.00%
1/1/99	Funded Pension Cost		7,224,176	283,289
	Allowable Interest		0	0
	Allocable Pension Cost		7,224,176	283,289
	Fiscal Year Pension Cost		7,027,080	266,943
	Medicare LOB%		1.19%	99.13%
	Allowable Pension Cost	348,242	83,622	264,620

BLUE CROSS BLUE SHIELD OF TENNESSEE
STATEMENT OF ALLOWABLE CAS PENSION COSTS
FOR FISCAL YEARS 1994 THROUGH 2002

Date	Description	Total Company	Other Segments	Medicare Segment
2000	Contribution(s)	\$18,972,287	\$18,972,287	\$0
8.00%	Discount for Interest	(1,562,290)	(1,562,290)	0
1/1/00	Pres Val Contributions	17,409,997	17,409,997	0
1/1/00	Prepayment Credit	8,649,814	8,385,260	264,554
1/1/00	Pres Value of Funding	26,059,811	25,795,257	264,554
1/1/00	Assigned Pension Cost	8,649,814	8,385,260	264,554
1/1/00	CAS Funding Target	8,649,814	8,385,260	264,554
1/1/00	% Funded		100.00%	100.00%
1/1/00	Funded Pension Cost		8,385,260	264,554
	Allowable Interest		0	0
	Allocable Pension Cost		8,385,260	264,554
	Fiscal Year Pension Cost		8,094,981	269,246
	Medicare LOB%		1.26%	99.26%
	Allowable Pension Cost	369,250	101,997	267,253
Date	Description	Total Company	Other Segments	Medicare Segment
2001	Contribution(s)	\$23,300,000	\$23,300,000	\$0
8.00%	Discount for Interest	(1,923,853)	(1,923,853)	0
1/1/01	Pres Val Contributions	21,376,147	21,376,147	0
1/1/01	Prepayment Credit	10,819,130	10,421,788	397,342
1/1/01	Pres Value of Funding	32,195,277	31,797,935	397,342
1/1/01	Assigned Pension Cost	10,819,130	10,421,788	397,342
1/1/01	CAS Funding Target	10,819,130	10,421,788	397,342
1/1/01	% Funded		100.00%	100.00%
1/1/01	Funded Pension Cost		10,421,788	397,342
	Allowable Interest		0	0
	Allocable Pension Cost		10,421,788	397,342
	Fiscal Year Pension Cost		9,912,649	364,153
	Medicare LOB%		1.67%	99.55%
	Allowable Pension Cost	528,055	165,541	362,514

BLUE CROSS BLUE SHIELD OF TENNESSEE
STATEMENT OF ALLOWABLE CAS PENSION COSTS
FOR FISCAL YEARS 1994 THROUGH 2002

Date	Description	Total Company	Other Segments	Medicare Segment
2002	Contribution(s)	\$58,400,000	\$58,400,000	\$0
8.00%	Discount for Interest	(4,565,965)	(4,565,965)	0
1/1/02	Pres Val Contributions	53,834,035	53,834,035	0
1/1/02	Prepayment Credit	15,035,356	14,366,799	668,557
1/1/02	Pres Value of Funding	68,869,391	68,200,834	668,557
1/1/02	Assigned Pension Cost	15,035,356	14,366,799	668,557
1/1/02	CAS Funding Target	15,035,356	14,366,799	668,557
1/1/02	% Funded		100.00%	100.00%
1/1/02	Funded Pension Cost		14,366,799	668,557
	Allowable Interest		0	0
	Allocable Pension Cost		14,366,799	668,557
	Fiscal Year Pension Cost		13,380,540	600,759
	Medicare LOB%		1.79%	99.54%
	Allowable Pension Cost	\$837,508	\$239,512	\$597,996

BLUE CROSS BLUE SHIELD OF TENNESSEE
STATEMENT OF ALLOWABLE CAS PENSION COSTS
FOR FISCAL YEARS 1994 THROUGH 2002

FOOTNOTES

- 1/ We obtained total company contribution amounts and dates of deposit from IRS Form 5500 Reports. The contributions included deposits made during the plan year and accrued contributions deposited after the end of the plan year but within the time allowed for filing tax returns.
- 2/ We subtracted interest that is included in the contributions deposited after January 1 of each year to discount the contributions back to their beginning of the year value. For purposes of this Appendix, we computed the interest as the difference between the present value of contributions, at the valuation interest rate, and the actual contribution amounts.
- 3/ The present value of contributions is the value of the contributions discounted from the date of deposit back to January 1. For purposes of this Appendix, we deemed deposits made after the end of the plan year to have been made on the final day of the plan year.
- 4/ A prepayment credit represents the accumulated value of premature funding from the previous year(s). A prepayment credit is created when contributions, plus interest, exceed the end-of-year CAS funding target. A prepayment credit may be carried forward, with interest, to fund future CAS pension costs.
- 5/ The present value of funding represents the present value of contributions plus prepayment credits. This is the amount of funding that is available to cover the CAS funding target measured at January 1 of each year.
- 6/ The CAS pension costs, computed at January 1 of each year, provides the basis to compute the allowable pension cost that can be charged to Medicare.
- 7/ The CAS funding target must be funded by current or prepaid contributions to satisfy the funding requirement of FAR 31.205-6(j)(3)(i).
- 8/ The percentage of costs funded is a measure of the portion of the CAS funding target that was funded during the plan year. Since any funding in excess of the CAS funding target is considered premature funding in accordance with CAS 412.50(a)(7), the funded ratio may not exceed 100 percent. We computed the percentage funded as the present value of funding divided by the CAS funding target. For purposes of illustration, the percentage of funding has been rounded to four decimals.

**BLUE CROSS BLUE SHIELD OF TENNESSEE
STATEMENT OF ALLOWABLE CAS PENSION COSTS
FOR FISCAL YEARS 1994 THROUGH 2002**

- 9/ We computed the funded CAS pension cost as the CAS funding target multiplied by the percent funded.
- 10/ We assumed interest on the funded CAS pension cost is to accrue in the same proportion as the interest on contributions bears to the present value of funding. However, we limited interest by FAR 31.205-6(j)(3)(iii) which does not permit the allowable interest to exceed the interest that would accrue if the CAS funding target were funded in four equal installments deposited within 30 days of the end of the quarter.
- 11/ The allocable CAS pension cost is the amount of pension cost that may be allocated for contract cost purposes.
- 12/ We converted the plan year allowable CAS pension costs to a fiscal year basis (October 1 through September 30). We calculated the fiscal year pension costs as one-fourth (1/4) of the prior year's costs plus three-fourths (3/4) of the current year's costs.
- 13/ We calculated allowable pension costs of the Medicare and other segments based on the Medicare line of business (LOB) percentage of each segment. We obtained the percentages from documents provided by Tennessee.
- 14/ We computed the allowable Medicare pension cost as the Fiscal Year pension cost multiplied by the Medicare LOB percentage.



**BlueCross BlueShield
of Tennessee**

801 Pine Street
Chattanooga, Tennessee 37402-2555

www.bcbst.com

August 16, 2004

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

Subject: Contractor (BlueCross BlueShield of Tennessee) Responses to Draft Audit Reports

Dear Mr. Aasmundstad:

We have reviewed and are responding to the following draft audit reports:

Pension Segmentation (Report No. A-07-04-0343) - Our pension actuaries, Chicago Consulting Actuaries (CCA) and our Human Resources personnel have reviewed this report. We agree with the report. CCA has supplied their response to this report with the following commitment: "...CCA intends to apply the recommendation that Medicare segment assets be reduced by this amount in the future cost reimbursement calculations". BlueCross BlueShield of Tennessee (BCBST) has already outlined procedural enhancements that will provide several levels of review for Medicare personnel listings being sent to CCA for use in the segmentation calculation process.

Unfunded Pension Costs (Report No. A-07-04-00165) - The CCA actuaries have reviewed this report and have responded as follows: "We agree with the findings described in report 00165...CCA intends to apply the recommendation that these amounts be reflected in future cost reimbursement calculations." BCBST will be following up with reviews and discussions with CCA to assure that all changes are completed.

Pension Costs Claimed (Report No. A-07-04-03054) - Taking into consideration the issues and conclusions drawn from the Segmentation Report, BCBST agrees with this report. We are ready to make appropriate FACP adjustments to clear all outstanding pension cost variances upon receipt of final directions. With the corrective actions associated with the Segmentation Report, differences of this nature will be self-correcting. We await further feedback from the actuaries associated with this audit, who indicated during their onsite visit that the unclaimed undercharges from the previous audit (CIN: A-07-94-00815) would be taken into account and addressed in this audit.

Supplemental Executive Retirement Program (SERP) Costs Claimed (Report No. A-07-04-00164) - We have reviewed the report and the quoted Cost Accounting Standards and we concur with the audit finding. We will be adjusting the appropriate FACPs for the fiscal years 1994 through 2002. We are modifying our financial procedures to include an on-going tracking report that will provide amortization data for our Medicare cost reporting.

We appreciate the professionalism exhibited by the OIG team association with this audit. Please keep us informed as to any revisions to these draft reports.

Sincerely,

Harold H. Cantrell, Jr.
Vice President, Finance

cc: Steve Kerr, Dir., Financial Mgmt. Rptg.
David Deal, Sr. VP and CFO