



JUL 30 2008

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

Report Number: A-07-08-00265

Mr. Tim Crilly
Chief Executive Officer
Blue Cross Blue Shield of Wyoming
4000 House Avenue
Cheyenne, Wyoming 82001

Dear Mr. Crilly:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Review of Postretirement Benefit Costs Claimed for Medicare Reimbursement by Blue Cross Blue Shield of Wyoming for Fiscal Years 1991 Through 2007." We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to this 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.

Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, OIG reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5). Accordingly, this report will be posted on the Internet at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at (816) 426-3591, or contact Jenenne Tambke, Audit Manager, at (573) 893-8338, extension 21 or through e-mail at Jenenne.Tambke@oig.hhs.gov. Please refer to report number A-07-08-00265 in all correspondence.

Sincerely,

Patrick J. Cogley
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

Nanette Foster Reilly, Consortium Administrator
Consortium for Financial Management & Fee for Service Operations
Centers for Medicare & Medicaid Services
601 East 12th Street, Room 235
Kansas City, Missouri 64106

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF POSTRETIREMENT
BENEFIT COSTS CLAIMED FOR
MEDICARE REIMBURSEMENT BY
BLUE CROSS BLUE SHIELD OF
WYOMING FOR FISCAL YEARS
1991 THROUGH 2007**



Daniel R. Levinson
Inspector General

July 2008
A-07-08-00265

Office of Inspector General

<http://oig.hhs.gov>

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OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

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

EXECUTIVE SUMMARY

BACKGROUND

Blue Cross Blue Shield of Wyoming (Wyoming) administered Medicare Part A operations under cost reimbursement contracts with the Centers for Medicare & Medicaid Services (CMS) until the contractual relationship was terminated October 31, 2006. The effective closing date for the Medicare segment was January 1, 2007.

In claiming postretirement benefit (PRB) costs, contractors must follow cost reimbursement principles contained in the Federal Acquisition Regulation (FAR) and applicable Cost Accounting Standards, as required by the Medicare contract.

Effective January 1, 1991, Wyoming adopted a PRB plan and, in 1992, submitted a request to CMS to use accrual accounting for PRBs. Wyoming also established a Voluntary Employee Benefit Association (VEBA) trust for the purpose of funding annual accruals. Wyoming started claiming accrued PRB costs in fiscal year (FY) 1992.

Following the close of each FY, Wyoming submitted a final administrative cost proposal (FACP) to CMS reporting the administrative costs of performing Medicare functions during the year. The accrued PRB cost is part of the administrative cost of performing Medicare functions and, as such, is claimed on each FY's FACP.

OBJECTIVE

Our objective was to determine the allowability of PRB costs that Wyoming claimed for Medicare reimbursement on an accrual basis for FYs 1991 through 2007.

SUMMARY OF FINDING

Wyoming claimed some unallowable Medicare PRB costs for FYs 1991 through 2007. Wyoming claimed \$389,244 of PRB costs for Medicare reimbursement; however, allowable Medicare PRB costs were \$285,738. Wyoming claimed \$103,506 of unallowable PRB costs for FYs 1991 through 2007 because it did not claim PRB costs in accordance with its Medicare contract (which relies on the FAR for determination of allowable PRB costs). Specifically, Wyoming based its claims on the Statement of Financial Accounting Standards 106 PRB cost. However, it did not always take into consideration VEBA contributions to fund the PRB costs, as required by the FAR.

RECOMMENDATION

We recommend that Wyoming revise its FACPs for open FYs during the period 1991 through 2007 to reduce claimed accrued PRB costs by \$103,506.

AUDITEE COMMENTS

In written comments on our draft report, Wyoming concurred with our finding and stated that it will refund the Federal Government \$103,506, which will reduce the claimed accrued PRB costs.

Wyoming's comments are included in their entirety as Appendix B.

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Glossary of Abbreviations and Acronyms

CAS	Cost Accounting Standards
CMS	Centers for Medicare & Medicaid Services
FACP	final administrative cost proposal
FAR	Federal Acquisition Regulation
FY	fiscal year
PRB	postretirement benefit
SFAS	Statement of Financial Accounting Standards
VEBA	Voluntary Employees Benefit Association
Wyoming	Blue Cross Blue Shield of Wyoming

INTRODUCTION

BACKGROUND

Wyoming and Medicare

Blue Cross Blue Shield of Wyoming (Wyoming) administered Medicare Part A operations under cost reimbursement contracts with the Centers for Medicare & Medicaid Services until the contractual relationship was terminated October 31, 2006. The effective closing date for the Medicare segment was January 1, 2007.

In claiming postretirement benefit (PRB) costs, contractors must follow cost reimbursement principles contained in the Federal Acquisition Regulation (FAR) and applicable Cost Accounting Standards, as required by the Medicare contract.

Federal Requirements

Medicare reimburses a portion of the funded accruals that contractors charge for their PRB plans. FAR 31.205-6(o) requires that, to be allowable for Medicare reimbursement, PRB accrual costs be determined in accordance with Statement of Financial Accounting Standards (SFAS) 106 and funded in a dedicated trust fund, such as a Voluntary Employees Benefit Association (VEBA) trust.

Since 1993, the Budget and Performance Requirements instructions sent to Medicare contractors have included a reminder of the special provisions regarding PRB plan costs. The instructions specify that any proposed change in accounting practice for PRB costs must be submitted to CMS in advance for approval.

Wyoming's Request To Use Accrual Accounting

Effective January 1, 1991, Wyoming adopted a PRB plan and, in 1992, submitted a request to CMS to use accrual accounting for PRBs.¹ Wyoming also established, on December 30, 1991, a Voluntary Employee Benefit Association (VEBA) trust for the purpose of funding annual accruals. Wyoming started claiming accrued PRB costs in fiscal year (FY) 1992.

Following the close of each FY, Wyoming submitted a final administrative cost proposal (FACP) to CMS reporting the administrative costs of performing Medicare functions during the year. The accrued PRB cost is part of the administrative cost of performing Medicare functions and, as such, is claimed on each FY's FACP.

¹CMS did not respond to Wyoming's request. In similar situations at other Medicare contractors, CMS has given conditional approval pending our audit of accrued PRB costs.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine the allowability of PRB costs that Wyoming claimed for Medicare reimbursement on an accrual basis for FYs 1991 through 2007.

Scope

We reviewed accrued PRB costs that Wyoming claimed for Medicare reimbursement on its FACPs for FYs 1991 through 2007.² Achieving the objective did not require that we review Wyoming's overall internal control structure. However, we did review the internal controls related to the accrued PRB costs claimed for Medicare reimbursement to ensure that the PRB costs were allowable pursuant to the FAR.

We performed fieldwork at Wyoming's corporate office in Cheyenne, Wyoming, during January 2008.

Methodology

We reviewed applicable Federal requirements. We also identified accrued PRB costs as claimed by Wyoming on its FACPs. We determined the extent to which Wyoming funded the PRB costs with contributions to the VEBA trust fund. In performing our review, we used information provided by Wyoming's actuarial consulting firm. The CMS Office of the Actuary staff used this information to develop PRB costs for Wyoming based on SFAS 106 methodology. In turn, we verified the actuarial data and used it to calculate the PRB costs that were allowable for Medicare reimbursement on the FACPs for FYs 1991 through 2007. Appendix A contains details on the PRB costs and contributions.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

FINDING AND RECOMMENDATION

UNALLOWABLE POSTRETIREMENT BENEFIT COSTS CLAIMED

Wyoming claimed some unallowable Medicare PRB costs for FYs 1991 through 2007. Wyoming claimed \$389,244 of PRB costs for Medicare reimbursement; however, allowable Medicare PRB costs were \$285,738. Wyoming claimed \$103,506 of unallowable PRB costs for FYs 1991 through 2007 because it did not claim PRB costs in accordance with its Medicare

²As a result of executed agreements between CMS and Wyoming for FYs 1999 through 2001, PRB costs are finalized and not subject to further review.

contract (which relies on the FAR for determination of allowable PRB costs). Specifically, Wyoming based its claims on the SFAS 106 PRB cost. However, it did not always take into consideration VEBA contributions to fund the PRB costs, as required by the FAR.

For FYs 1991 through 2007, Wyoming claimed PRB costs of \$389,244 for Medicare reimbursement. We calculated the Medicare allowable PRB costs based on total company PRB costs. We determined that the allowable accrued PRB pension costs totaled \$285,738.

We compared allowable accrued PRB costs with the accrued PRB costs claimed on Wyoming's FACPs, as shown in the table below.

Accrued PRB Cost Claimed Variance			
Fiscal Year *	Per Audit	Per Wyoming	Difference
1991	\$18,992	\$0	\$18,992
1992	20,847	24,989	(4,142)
1993	16,842	23,580	(6,738)
1994	25,885	29,654	(3,769)
1995	16,337	69,092	(52,755)
1996	2,883	33,152	(30,269)
1997	0	0	0
1998	0	0	0
2002	28,581	32,070	(3,489)
2003	33,199	32,193	1,006
2004	38,550	58,253	(19,703)
2005	34,908	24,866	10,042
2006	44,538	56,116	(11,578)
2007	4,176	5,279	(1,103)
TOTAL	\$285,738	\$389,244	(\$103,506)

* See footnote 2 for an explanation of why we did not review PRB costs claimed for FYs 1999 through 2001.

Wyoming claimed \$103,506 of unallowable PRB costs. The overclaim occurred primarily because Wyoming's PRB claims did not always consider VEBA contributions to fund the PRB costs.

RECOMMENDATION

We recommend that Wyoming revise its FACPs for open FYs during the period 1991 through 2007 to reduce claimed accrued PRB costs by \$103,506.

AUDITEE COMMENTS

In written comments on our draft report, Wyoming concurred with our finding and stated that it will refund the Federal Government \$103,506, which will reduce the claimed accrued PRB costs.

Wyoming's comments are included in their entirety as Appendix B.

APPENDIXES

BLUE CROSS BLUE SHIELD OF WYOMING
STATEMENT OF ALLOWABLE
ACCRUED POSTRETIREMENT BENEFIT COSTS
FOR FISCAL YEARS 1991 THROUGH 2007

Description		Total Company
1991	Contributions	1/ \$479,847
6.50%	Discount for Interest	2/ (29,286)
1/1/1991	Present Value Contributions	3/ 450,561
	Prepayment Credit	4/ 0
	Present Value of Funding	5/ 450,561
	Assigned PRB Cost	6/ 338,709
	Absorbed Credit	7/ 0
1/1/1991	CAS Funding Target	8/ 338,709
	Percentage Funded	9/ 100.00%
	Funded PRB Cost	10/ 338,709
	Allowable Interest	11/ 22,016
	Allocable PRB Cost	12/ \$360,725
1991	Fiscal Year PRB Cost	13/ 270,544
	Medicare LOB* Percentage	14/ 7.02%
	Allowable PRB cost	15/ \$18,992

1992	Contributions	\$217,196
6.50%	Discount for Interest	(13,256)
1/1/1992	Present Value Contributions	203,940
	Prepayment Credit	119,122
	Present Value of Funding	323,062
	Assigned PRB Cost	344,792
	Absorbed Credit	0
1/1/1992	CAS Funding Target	344,792
	Percentage Funded	93.70%
	Funded PRB Cost	323,062
	Allowable Interest	9,390
	Allocable PRB Cost	332,452
1992	Fiscal Year PRB Cost	339,520
	Medicare LOB* Percentage	6.14%
	Allowable PRB cost	\$20,847

**BLUE CROSS BLUE SHIELD OF WYOMING
STATEMENT OF ALLOWABLE
ACCRUED POSTRETIREMENT BENEFIT COSTS
FOR FISCAL YEARS 1991 THROUGH 2007**

Description		Total Company
1993	Contributions	\$203,136
6.00%	Discount for Interest	(11,498)
1/1/1993	Present Value Contributions	191,638
	Prepayment Credit	0
	Present Value of Funding	191,638
	Assigned PRB Cost	420,909
	Absorbed Credit	0
1/1/1993	CAS Funding Target	420,909
	Percentage Funded	45.53%
	Funded PRB Cost	191,638
	Allowable Interest	8,145
	Allocable PRB Cost	199,783
1993	Fiscal Year PRB Cost	232,950
	Medicare LOB* Percentage	7.23%
	Allowable PRB cost	\$16,842

1994	Contributions	\$408,445
6.00%	Discount for Interest	(23,120)
1/1/1994	Present Value Contributions	385,325
	Prepayment Credit	0
	Present Value of Funding	385,325
	Assigned PRB Cost	674,673
	Absorbed Credit	0
1/1/1994	CAS Funding Target	674,673
	Percentage Funded	57.11%
	Funded PRB Cost	385,325
	Allowable Interest	16,376
	Allocable PRB Cost	401,701
1994	Fiscal Year PRB Cost	351,222
	Medicare LOB* Percentage	7.37%
	Allowable PRB cost	\$25,885

**BLUE CROSS BLUE SHIELD OF WYOMING
STATEMENT OF ALLOWABLE
ACCRUED POSTRETIREMENT BENEFIT COSTS
FOR FISCAL YEARS 1991 THROUGH 2007**

Description		Total Company
1995	Contributions	\$167,263
6.00%	Discount for Interest	(9,468)
1/1/1995	Present Value Contributions	157,795
	Prepayment Credit	0
	Present Value of Funding	157,795
	Assigned PRB Cost	483,202
	Absorbed Credit	0
1/1/1995	CAS Funding Target	483,202
	Percentage Funded	32.66%
	Funded PRB Cost	157,795
	Allowable Interest	6,706
	Allocable PRB Cost	164,501
1995	Fiscal Year PRB Cost	223,801
	Medicare LOB* Percentage	7.30%
	Allowable PRB cost	\$16,337

1996	Contributions	\$0
6.00%	Discount for Interest	0
1/1/1996	Present Value Contributions	0
	Prepayment Credit	0
	Present Value of Funding	0
	Assigned PRB Cost	616,317
	Absorbed Credit	0
1/1/1996	CAS Funding Target	616,317
	Percentage Funded	0.00%
	Funded PRB Cost	0
	Allowable Interest	0
	Allocable PRB Cost	0
1996	Fiscal Year PRB Cost	41,125
	Medicare LOB* Percentage	7.01%
	Allowable PRB cost	\$2,883

**BLUE CROSS BLUE SHIELD OF WYOMING
STATEMENT OF ALLOWABLE
ACCRUED POSTRETIREMENT BENEFIT COSTS
FOR FISCAL YEARS 1991 THROUGH 2007**

Description		Total Company
1997	Contributions	\$0
6.00%	Discount for Interest	0
1/1/1997	Present Value Contributions	0
	Prepayment Credit	0
	Present Value of Funding	0
	Assigned PRB Cost	608,178
	Absorbed Credit	0
1/1/1997	CAS Funding Target	608,178
	Percentage Funded	0.00%
	Funded PRB Cost	0
	Allowable Interest	0
	Allocable PRB Cost	0
1997	Fiscal Year PRB Cost	0
	Medicare LOB* Percentage	n/a
	Allowable PRB cost	\$0

1998	Contributions	\$0
6.00%	Discount for Interest	0
1/1/1998	Present Value Contributions	0
	Prepayment Credit	0
	Present Value of Funding	0
	Assigned PRB Cost	683,142
	Absorbed Credit	0
1/1/1998	CAS Funding Target	683,142
	Percentage Funded	0.00%
	Funded PRB Cost	0
	Allowable Interest	0
	Allocable PRB Cost	0
1998	Fiscal Year PRB Cost	0
	Medicare LOB* Percentage	n/a
	Allowable PRB cost	\$0

**BLUE CROSS BLUE SHIELD OF WYOMING
STATEMENT OF ALLOWABLE
ACCRUED POSTRETIREMENT BENEFIT COSTS
FOR FISCAL YEARS 1991 THROUGH 2007**

Description		Total Company
2001	Contributions	\$590,453
6.00%	Discount for Interest	(33,422)
1/1/2001	Present Value Contributions	557,031
	Prepayment Credit	0
	Present Value of Funding	557,031
	Assigned PRB Cost	373,899
	Absorbed Credit	0
1/1/2001	CAS Funding Target	373,899
	Percentage Funded	100.00%
	Funded PRB Cost	373,899
	Allowable Interest	15,891
	Allocable PRB Cost	389,790
2001	Fiscal Year PRB Cost	<u>16/</u> n/a
	Medicare LOB* Percentage	n/a
	Allowable PRB cost	n/a

2002	Contributions	\$514,278
6.00%	Discount for Interest	(29,110)
1/1/2002	Present Value Contributions	485,168
	Prepayment Credit	194,120
	Present Value of Funding	679,288
	Assigned PRB Cost	481,547
	Absorbed Credit	0
1/1/2002	CAS Funding Target	481,547
	Percentage Funded	100.00%
	Funded PRB Cost	481,547
	Allowable Interest	12,216
	Allocable PRB Cost	493,763
2002	Fiscal Year PRB Cost	467,770
	Medicare LOB* Percentage	6.11%
	Allowable PRB cost	\$28,581

**BLUE CROSS BLUE SHIELD OF WYOMING
STATEMENT OF ALLOWABLE
ACCRUED POSTRETIREMENT BENEFIT COSTS
FOR FISCAL YEARS 1991 THROUGH 2007**

Description		Total Company
2003	Contributions	\$900,000
5.50%	Discount for Interest	(46,919)
1/1/2003	Present Value Contributions	853,081
	Prepayment Credit	209,605
	Present Value of Funding	1,062,686
	Assigned PRB Cost	519,339
	Absorbed Credit	0
1/1/2003	CAS Funding Target	519,339
	Percentage Funded	100.00%
	Funded PRB Cost	519,339
	Allowable Interest	12,067
	Allocable PRB Cost	531,406
2003	Fiscal Year PRB Cost	521,995
	Medicare LOB* Percentage	6.36%
	Allowable PRB cost	\$33,199

2004	Contributions	\$0
5.50%	Discount for Interest	0
1/1/2004	Present Value Contributions	0
	Prepayment Credit	573,231
	Present Value of Funding	573,231
	Assigned PRB Cost	716,874
	Absorbed Credit	0
1/1/2004	CAS Funding Target	716,874
	Percentage Funded	79.96%
	Funded PRB Cost	573,231
	Allowable Interest	0
	Allocable PRB Cost	573,231
2004	Fiscal Year PRB Cost	562,775
	Medicare LOB* Percentage	6.85%
	Allowable PRB cost	\$38,550

BLUE CROSS BLUE SHIELD OF WYOMING
STATEMENT OF ALLOWABLE
ACCRUED POSTRETIREMENT BENEFIT COSTS
FOR FISCAL YEARS 1991 THROUGH 2007

Description		Total Company
2005	Contributions	\$500,000
5.50%	Discount for Interest	(26,066)
1/1/2005	Present Value Contributions	473,934
	Prepayment Credit	0
	Present Value of Funding	473,934
	Assigned PRB Cost	653,879
	Absorbed Credit	0
1/1/2005	CAS Funding Target	653,879
	Percentage Funded	72.48%
	Funded PRB Cost	473,934
	Allowable Interest	18,464
	Allocable PRB Cost	492,398
2005	Fiscal Year PRB Cost	512,606
	Medicare LOB* Percentage	6.81%
	Allowable PRB cost	\$34,908

2006	Contributions	\$900,000
5.25%	Discount for Interest	(44,893)
1/1/2006	Present Value Contributions	855,107
	Prepayment Credit	0
	Present Value of Funding	855,107
	Assigned PRB Cost	1,023,119
	Absorbed Credit	0
1/1/2006	CAS Funding Target	1,023,119
	Percentage Funded	83.58%
	Funded PRB Cost	855,107
	Allowable Interest	31,799
	Allocable PRB Cost	886,906
2006	Fiscal Year PRB Cost	788,279
	Medicare LOB* Percentage	5.65%
	Allowable PRB cost	\$44,538

**BLUE CROSS BLUE SHIELD OF WYOMING
STATEMENT OF ALLOWABLE
ACCRUED POSTRETIREMENT BENEFIT COSTS
FOR FISCAL YEARS 1991 THROUGH 2007**

	Description		Total Company
2007	Fiscal Year PRB Cost	<u>17/</u>	73,909
	Medicare LOB* Percentage		5.65%
	Allowable PRB Cost		\$4,176

* Line of business

FOOTNOTES

1/ Total contributions to the trust fund are the deposits made to the Voluntary Employee Benefit Association (VEBA) trust fund. Such contributions can be used to satisfy the funding requirements of Federal Acquisition Regulation (FAR) 31.205-6(o)(2)(iii) and Cost Accounting Standards (CAS) 416-50(a)(1)(v)(A). The contributions included deposits made during the plan year and the discounted value of accrued contributions deposited after the end of the plan year but within the time allowed for filing tax returns.

2/ We subtracted the interest that is included in the contributions deposited after the beginning of each plan 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 actual contribution amounts. Interest is determined using the Statement of Financial Accounting Standards (SFAS) 106 expected long-term rate of return.

3/ The present value of contributions is the value of the contributions discounted from the date of deposit back to the first day of the 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 current period funding requirement. A prepayment credit may be carried forward, with interest, to the first of each subsequent plan year until needed to fund future PRB costs. The accumulated value of prepayment credits is available as of the first day of the plan year and is applied as of the first day of the plan year to cover the cost assigned to the period.

5/ The present value of funding represents the present value of contributions plus accumulated prepayment credits. This is the amount of funding that is available to cover the current period funding requirement measured at the first day of each plan year.

BLUE CROSS BLUE SHIELD OF WYOMING
STATEMENT OF ALLOWABLE
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FOR FISCAL YEARS 1991 THROUGH 2007

- 6/ The assigned PRB costs, computed on January 1 of each year, provide the basis to compute the allowable PRB cost that can be charged to Medicare.
- 7/ Cost credits are created when the PRB cost is a negative value. They are accumulated at the long-term rate, and any accumulated unabsorbed credits are applied to subsequent positive CAS PRB costs before any prepayment credits or contributions are applied. Also, because the unabsorbed credits are created by assets that have already been recognized for reimbursement, the credit is not eligible to be claimed when “absorbed.”
- 8/ The CAS funding target must be funded by current or prepaid contributions to satisfy the funding requirement of FAR 31.205-6(o)(3).
- 9/ 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 premature funding of future period costs, 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 this calculation the percentage of funding has been rounded to four decimals.
- 10/ We computed the funded CAS PRB cost as the CAS funding target multiplied by the percent funded.
- 11/ We assumed that interest on the funded PRB cost, less the applied prepayment credit, accrues in the same proportion that the interest on contributions bears to the present value of contributions. However, we limited the interest in accordance with FAR 31.205-6(o)(4), which provides that interest costs are unallowable if caused by a delay in funding beyond 30 days after the end of the quarter to which they are assigned.
- 12/ The allocable PRB cost is the amount of PRB cost that may be allocated for contract costing purposes.
- 13/ For Federal fiscal year (FY) PRB costs, we converted the plan year allocable PRB costs to a Federal FY basis (October 1 through September 30). We calculated the FY PRB costs as 1/4 of the prior year’s costs plus 3/4 of the current year’s costs. FY 1991 PRB costs equal 3/4 of the calendar year 1991 cost.
- 14/ Wyoming provided the total company Medicare line of business (LOB) percentages. Medicare LOBs were not obtained for years with no FY PRB cost.

**BLUE CROSS BLUE SHIELD OF WYOMING
STATEMENT OF ALLOWABLE
ACCRUED POSTRETIREMENT BENEFIT COSTS
FOR FISCAL YEARS 1991 THROUGH 2007**

APPENDIX A
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- 15/ We computed the allowable Medicare PRB cost as the FY PRB cost multiplied by the Medicare LOB percentage.
- 16/ Executed agreements between CMS and Wyoming have finalized FYs 1999 through 2001 with regard to PRB costs. Our development of allowable PRB costs therefore excludes these years.
- 17/ Because Wyoming's Medicare contract terminated 10/31/06, the FY 2007 PRB cost equals 1/12 of the calendar year 2006 cost.



**BlueCross BlueShield
of Wyoming**

A member of the Blue Cross and Blue Shield
Association, An Association of Independent
Blue Cross and Blue Shield Plans.

July 14, 2008

Patrick J. Cogley
Regional Inspector General for Audit Services
Department of Health & Human Services
601 East 12th Street, Room 284A
Kansas City, MO 64106

Dear Mr. Cogley:

We are in receipt of your report number A-07-08-00265 entitled "Review of Postretirement Benefit Costs Claimed for Medicare Reimbursement by Blue Cross Blue Shield of Wyoming for Fiscal Years 1991 Through 2007."

We are in concurrence with the findings in the report and will refund \$103,506 to the Federal Government, which will reduce the claimed accrued PRB costs.

Please feel free to contact me at 307-432-2791, or through email at diane.gore@bcbswy.com should you require further information. Thank you for your time.

Sincerely,

A handwritten signature in cursive script that reads "Diane G. Gore".

Diane G. Gore
Chief Financial Officer