

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**WISCONSIN PHYSICIANS SERVICE  
INSURANCE CORPORATION  
UNDERSTATED ITS MEDICARE  
SEGMENT PENSION ASSETS FOR  
ITS EMPLOYEES' PENSION PLAN**

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Gloria L. Jarmon  
Deputy Inspector General  
for Audit Services

January 2018  
A-07-17-00516

# *Office of Inspector General*

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represent the findings and opinions of OAS. Authorized officials of the  
HHS operating divisions will make final determination on these matters.

## Report in Brief

Date: January 2018

Report No. A-07-17-00516

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES  
**OFFICE OF INSPECTOR GENERAL**



### Why OIG Did This Review

Medicare contractors are required to separately account for the Medicare segment pension plan assets based on the requirements of their Medicare contracts and Cost Accounting Standards 412 and 413.

The HHS, OIG, Office of Audit Services, Region VII pension audit team reviews the Medicare segment pension assets to ensure compliance with Federal regulations.

Previous OIG reviews found that Medicare contractors did not always correctly identify and update the segmented pension assets.

Our objectives were to determine whether Wisconsin Physicians Service Insurance Corporation (WPS) complied with Federal requirements and the Medicare contracts' pension segmentation requirements when (1) implementing our prior audit recommendation and (2) updating the Medicare segment pension assets for the Employees' Pension Plan from January 1, 2008, to December 31, 2012.

### How OIG Did This Review

We reviewed WPS's update of the Medicare segment pension assets as of December 31, 2012, to ensure compliance with Federal regulations.

## Wisconsin Physicians Service Insurance Corporation Understated Its Medicare Segment Pension Assets for Its Employees' Pension Plan

### What OIG Found

WPS implemented our prior audit recommendation to recognize \$15.1 million as the Medicare segment pension assets as of January 1, 2008. Regarding our second objective, WPS did not correctly update the Medicare segment pension assets from January 1, 2008, to December 31, 2012, in accordance with Federal regulations and the Medicare contracts' pension segmentation requirements. WPS identified \$16.084 million as the Medicare segment pension assets as of December 31, 2012; however, we determined that the Medicare segment pension assets were \$16.326 million as of that date. Therefore, WPS understated the Medicare segment pension assets as of December 31, 2012, by \$241,574. WPS understated its Medicare segment's pension assets because it did not have controls to ensure that it calculated those assets in accordance with Federal regulations and the pension segmentation language of its Medicare contracts when updating the assets from January 1, 2008, to December 31, 2012.

### What OIG Recommends and Auditee Comments

We recommend that WPS increase the Medicare segment pension assets by \$241,574 and recognize \$16.326 million as the Medicare segment pension assets as of December 31, 2012, and implement controls, including policies and procedures, to ensure compliance with Federal regulations and the pension segmentation language of the Medicare contracts.

WPS did not concur with our first recommendation. Specifically, WPS stated that we identified three participants as transfers into WPS's Medicare segment between 2008 and 2009 and added that it believes that these participants were always part of its Medicare segment. Except for the transfer of the three participants, WPS concurred with all other differences identified in our draft report.

We disagree with WPS that these three participants were always Medicare segment participants. During our prior audit, we identified those three participants as Other segment employees. WPS agreed with the Medicare segment pension assets that we conveyed in our prior report. However, during the current review, we determined that those participants were Medicare segment participants during 2009, and our calculations transferred them to the Medicare segment to properly move assets equal to their accrued liabilities. We therefore maintain that our findings and recommendations remain valid.

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## **INTRODUCTION**

### **WHY WE DID THIS REVIEW**

Medicare contractors are required to separately account for the Medicare segment pension plan assets based on the requirements of their Medicare contracts and Cost Accounting Standards (CAS) 412 and 413. The Centers for Medicare & Medicaid Services (CMS) incorporated this requirement into the Medicare contracts beginning with fiscal year 1988. Previous Office of Inspector General reviews found that Medicare contractors did not always correctly identify and update the segmented pension assets.

At CMS's request, the Office of Inspector General, Office of Audit Services, Region VII pension audit team reviews the cost elements related to qualified defined-benefit, nonqualified defined-benefit, postretirement benefit, and any other pension-related cost elements claimed by Medicare fiscal intermediaries and carrier contractors, Medicare administrative contractors (MACs), and other CAS-covered and Federal Acquisition Regulation (FAR)-covered contracts through Final Administrative Cost Proposals and/or Incurred Cost Proposals.

For this review, we focused on one qualified defined-benefit plan, called the Employees' Pension Plan (EPP), at Wisconsin Physicians Service Insurance Corporation (WPS). In particular, we examined the Medicare segment pension assets that WPS updated for the EPP from January 1, 2008, to December 31, 2012.

### **OBJECTIVES**

Our objectives were to determine whether WPS complied with Federal requirements and the Medicare contracts' pension segmentation requirements when (1) implementing the prior audit recommendation to decrease the Medicare segment pension assets as of January 1, 2008, and (2) updating the Medicare segment pension assets from January 1, 2008, to December 31, 2012.

### **BACKGROUND**

#### **Wisconsin Physicians Service Insurance Corporation and Medicare**

During our audit period, WPS administered Medicare Part A fiscal intermediary and Part B carrier operations under cost reimbursement contracts with CMS until its contractual relationships ended on July 1, 2013, and September 7, 2013, respectively.

With the implementation of Medicare contracting reform,<sup>1</sup> WPS continued to perform Medicare work after being awarded the MAC contracts for Medicare Parts A and B Jurisdiction 5<sup>2</sup> and Jurisdiction 8<sup>3</sup> effective September 5, 2007, and September 30, 2011, respectively.

During the audit period, WPS had three defined-benefit pension plans: (1) the Managerial Retirement Program for Selected Locations (MRPSL), (2) the Managerial Pension Plan (MPP), and (3) the EPP. The MRPSL and the EPP merged into the MPP effective December 31, 2009, and December 31, 2012, respectively. This report addresses the Medicare segment pension assets for the EPP for the period January 1, 2008, to December 31, 2012. We are addressing WPS's compliance with Federal regulations and the pension segmentation requirements for the MRPSL and the MPP in separate reviews.

### **Prior Pension Segmentation Audit**

We performed a prior pension segmentation audit at WPS for the EPP (A-07-10-00335, issued October 29, 2010), which brought the Medicare segment pension assets to January 1, 2008. We recommended that WPS decrease the Medicare segment pension assets as of January 1, 2008, by \$65,050 and recognize \$15,081,424 as the Medicare segment's pension assets.

### **HOW WE CONDUCTED THIS REVIEW**

We reviewed WPS's implementation of the prior audit recommendation; identification of its EPP Medicare segment; and its update of EPP Medicare segment pension assets from January 1, 2008, to December 31, 2012.

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 finding and conclusions based on our audit objectives.

Appendix A contains details of our audit scope and methodology.

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<sup>1</sup> Section 911 of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, P.L. No. 108-173, required CMS to transfer the functions of fiscal intermediaries and carriers to MACs between October 2005 and October 2011. Most, but not all, of the MACs are fully operational; for jurisdictions where the MACs are not fully operational, the fiscal intermediaries and carriers continue to process claims. For purposes of this report, the term "Medicare contractor" means the fiscal intermediary, carrier, or MAC, whichever is applicable.

<sup>2</sup> Medicare Parts A and B Jurisdiction 5 consists of the States of Iowa, Kansas, Missouri, and Nebraska.

<sup>3</sup> Medicare Parts A and B Jurisdiction 8 consists of the States of Indiana and Michigan.

## FINDINGS

WPS implemented our prior audit recommendation to recognize \$15,081,424 as the Medicare segment pension assets as of January 1, 2008. Regarding our second objective, WPS did not correctly update the Medicare segment pension assets from January 1, 2008, to December 31, 2012, in accordance with Federal regulations and the Medicare contracts' pension segmentation requirements. WPS identified \$16,084,042 as the Medicare segment pension assets as of December 31, 2012; however, we determined that the Medicare segment pension assets were \$16,325,616 as of that date. Therefore, WPS understated the Medicare segment pension assets as of December 31, 2012, by \$241,574. WPS understated its Medicare segment's pension assets because it did not have controls to ensure that it calculated those assets in accordance with Federal regulations and the pension segmentation language of its Medicare contracts when updating the Medicare segment's pension assets from January 1, 2008, to December 31, 2012.

Appendix B identifies the details of WPS's Medicare segment pension assets from January 1, 2008, to December 31, 2012, as determined during our audit. Table 1 below summarizes the audit adjustments required to update the Medicare segment pension assets in accordance with Federal requirements.

**Table 1: Summary of Audit Adjustments**

	Per Audit	Per WPS	Difference
<b>Prior Audit Recommendation</b>	\$15,081,424	\$15,081,424	\$0
<b>Update of Medicare Segment Assets</b>			
Contributions and Prepayment Credits	193,456	193,456	0
Benefit Payments	(1,942,620)	(2,039,285)	96,665
Net Transfers	(103,752)	(182,251)	78,499
Earnings, Net of Expenses	3,097,108	3,030,698	66,410
<b>Understatement of Medicare Segment Assets</b>	<b>\$16,325,616</b>	<b>\$16,084,042</b>	<b>\$241,574</b>

### PRIOR AUDIT RECOMMENDATION

WPS implemented our prior audit recommendation (A-07-10-00335), which recommended that WPS decrease its Medicare segment pension assets by \$65,050 and, as a result, recognize \$15,081,424 as the Medicare segment pension assets.

## UPDATE OF MEDICARE SEGMENT PENSION ASSETS

The Medicare contracts require Medicare contractors to update the Medicare segment pension assets yearly in accordance with the CAS. The CAS requires that the asset base be adjusted by contributions, income, benefit payments, and expenses. For details on the Federal requirements and the relevant language of the Medicare contracts, see Appendix C.

WPS did not correctly update the Medicare segment pension assets from January 1, 2008, to December 31, 2012, in accordance with Federal regulations and the Medicare contracts' pension segmentation requirements. WPS identified \$16,084,042 as the Medicare segment pension assets as of December 31, 2012; however, we determined that the Medicare segment pension assets were \$16,325,616 as of that date. Therefore, WPS understated the Medicare segment pension assets as of December 31, 2012, by \$241,574.

WPS understated its Medicare segment's pension assets because it did not have controls to ensure that it calculated those assets in accordance with Federal regulations and the pension segmentation language of its Medicare contracts when updating the Medicare segment's pension assets from January 1, 2008, to December 31, 2012.

The following are our findings regarding the update of the Medicare segment pension assets from January 1, 2008, to December 31, 2012.

### Benefit Payments Overstated

WPS overstated benefit payments by \$96,665 for the Medicare segment. This overstatement occurred primarily because WPS incorrectly identified the Medicare segment benefit payments. This overstatement of benefit payments resulted in an understatement of the Medicare segment pension assets by \$96,665. A comparison of WPS's and our calculations of benefit payments for the Medicare segment appears in Table 2 below.

**Table 2: Benefit Payments**

<b>Calendar Year (CY)</b>	<b>Per Audit</b>	<b>Per WPS</b>	<b>Difference</b>
2008	(\$259,568)	(\$299,169)	\$39,601
2009	(238,286)	(231,086)	(7,200)
2010	(299,886)	(299,201)	(685)
2011	(361,343)	(361,216)	(127)
2012	(783,537)	(848,613)	65,076
<b>Total</b>	<b>(\$ 1,942,620)</b>	<b>(\$2,039,285)</b>	<b>\$96,665</b>

## Net Transfers Out Overstated

WPS overstated net transfers out of its Medicare segment by \$78,499. The overstatement occurred because WPS incorrectly identified the participants who transferred in or out of its Medicare segment. This overstatement of the net transfer adjustment resulted in an understatement of the Medicare segment pension assets by \$78,499. Table 3 below shows the differences between the net transfers proposed by WPS and the net transfers that we calculated during our review.

**Table 3: Net Transfers Out of the Medicare Segment**

<b>CY</b>	<b>Per Audit</b>	<b>Per WPS</b>	<b>Difference</b>
2008	\$158,703	\$57,899	\$100,804
2009	151,097	151,097	0
2010	128,362	128,362	0
2011	(347,048)	(324,743)	(22,305)
2012	(194,866)	(194,866)	0
<b>Total</b>	<b>(\$103,752)</b>	<b>(\$182,251)</b>	<b>\$78,499</b>

## Earnings, Net of Expenses, Understated

WPS understated investment earnings, less administrative expenses, by \$66,410 for its Medicare segment, because it used incorrect benefit payments and incorrect net transfers (discussed above) to develop the Medicare segment pension asset base. In our audited update, we allocated earnings, net of expenses based on the applicable CAS requirements. For details on applicable Federal requirements, see Appendix C.

## RECOMMENDATIONS

We recommend that WPS:

- increase the Medicare segment pension assets by \$241,574 and recognize \$16,325,616 as the Medicare segment pension assets as of December 31, 2012, and
- implement controls, including policies and procedures, to ensure compliance with Federal regulations and the pension segmentation language of the Medicare contracts.

## AUDITEE COMMENTS

In written comments on our draft report, WPS did not concur with our first recommendation. Specifically, WPS stated that we identified three participants as transfers into WPS's Medicare

segment between 2008 and 2009 and added that it believes that these participants were always part of its Medicare segment. WPS stated that as a result, it believes that our calculations overstate the asset value by approximately \$100,000. Except for the transfer of the three participants, WPS concurred with all other differences identified in our draft report.

In the context of our second recommendation, WPS said that it believes that it has established and implemented controls, policies, and procedures to ensure compliance with Federal regulations and the pension segmentation language of the Medicare contracts. WPS stated that it merely disagrees with our draft report's interpretation of those regulations and contracts.

WPS's comments are included in their entirety as Appendix D.

### **OFFICE OF INSPECTOR GENERAL RESPONSE**

After reviewing WPS's comments, we maintain that our findings and recommendations remain valid. During our prior audit (A-07-10-00335), WPS suggested that we had incorrectly identified some participants. WPS provided documentation for several participants that caused us to revise the pension segmentation assets that we conveyed in that prior report. However, for the three specific participants that WPS referred to in its comments on the current report, we determined (in the prior audit) that the documentation provided did not substantiate their movement into the Medicare segment. Thus, in our prior audit these three employees remained as Other segment employees. In its comments on our prior report, WPS agreed that the Medicare segment pension assets as of January 1, 2008, were \$15,081,424; in so doing, WPS was agreeing that these three participants were in the Other segment.

During our current review, WPS provided sufficient evidence to support that these three employees were Medicare segment employees during CY 2009. Consequently, our calculations transferred the three employees during CY 2009 from the Other segment into the Medicare segment to properly move assets equal to their accrued liabilities. Therefore, we disagree that the Medicare segment asset value is overstated in this report.

For our second recommendation, WPS said that it disagrees with our interpretation of the Federal regulations and the pension segmentation language in the Medicare contracts, but it did not specify which regulation(s) it believes we interpreted incorrectly. Excluding the differences (discussed above) between WPS's and our calculations of participant transfers, our audit determined that WPS's calculations also differed from ours with respect to the Medicare segment benefit payments and with respect to investment earnings, net of expenses. WPS said in its written comments that it concurred with these other differences that we had identified. In light of the information we provide just above regarding the participant transfers, as well as WPS's concurrence with the other differences, we continue to support our recommendation that WPS implement controls, including policies and procedures, to ensure compliance with Federal regulations and the pension segmentation language of the Medicare contracts.

## **APPENDIX A: AUDIT SCOPE AND METHODOLOGY**

### **SCOPE**

We reviewed WPS's implementation of the prior audit recommendation; identification of its EPP Medicare segment; and its update of EPP Medicare segment pension assets from January 1, 2008, to December 31, 2012.

Achieving our objective did not require that we review WPS's overall internal control structures. We reviewed controls relating to the identification of the Medicare segment and to the update of the Medicare segment pension assets to ensure adherence to the Medicare contracts, CAS 412, and CAS 413.

We performed fieldwork at WPS in Madison, Wisconsin.

### **METHODOLOGY**

To accomplish our objective, we:

- reviewed the portions of the FAR, CAS, and Medicare contracts applicable to this audit;
- reviewed the annual actuarial valuation reports prepared by WPS's actuarial consulting firms, which included the pension plan's assets, liabilities, normal costs, contributions, benefit payments, investment earnings, and administrative expenses, and used this information to calculate the Medicare segment assets;
- obtained and reviewed the pension plan documents and Department of Labor/Internal Revenue Service Forms 5500 used in calculating the Medicare segment assets;
- interviewed WPS staff responsible for identifying the Medicare segment to determine whether the segment was properly identified in accordance with the Medicare contracts;
- reviewed WPS's accounting records to verify the Medicare segment's identification as well as the benefit payments made to the Medicare segment;
- reviewed the prior segmentation audit performed at WPS (A-07-10-00335) to determine the beginning market value of assets for the Medicare segment;
- gave the CMS Office of the Actuary, which provides technical actuarial advice, the actuarial information necessary for it to calculate the Medicare segment pension assets from January 1, 2008, to December 31, 2012;

- reviewed the CMS actuaries' methodology and calculations; and
- provided the results of the review to WPS officials on June 7, 2017.

We performed this review in conjunction with the following audits and used the information obtained during this audit:

- *Wisconsin Physicians Service Insurance Corporation Understated Its Medicare Segment Pension Assets for Its Managerial Retirement Program for Selected Locations (A-07-17-00517),*
- *Wisconsin Physicians Service Insurance Corporation Understated Its Medicare Segment Pension Assets for Its Managerial Pension Plan (A-07-17-00518),*
- *Wisconsin Physicians Service Insurance Corporation Did Not Claim Some Allowable Medicare Pension Costs (A-07-17-00519), and*
- *Wisconsin Physicians Service Insurance Corporation Understated Its Allocable Pension Costs (A-07-17-00520).*

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 finding and conclusions based on our audit objectives.

**APPENDIX B: WISCONSIN PHYSICIANS SERVICE INSURANCE CORPORATION**  
**STATEMENT OF MEDICARE SEGMENT PENSION ASSETS**  
**FOR THE EMPLOYEES' PENSION PLAN FOR THE PERIOD**  
**JANUARY 1, 2008, TO DECEMBER 31, 2012**

Description		Total Company	Other Segment	Medicare Segment
Assets January 1, 2008	<u>1/</u>	\$61,522,530	\$46,441,106	\$15,081,424
Contributions	<u>2/</u>	8,471,000	8,471,000	0
Employee Contributions	<u>3/</u>	477,384	402,557	74,827
Earnings	<u>4/</u>	(16,112,015)	(12,308,470)	(3,803,545)
Benefit Payments	<u>5/</u>	(1,736,520)	(1,476,952)	(259,568)
Administrative Expenses	<u>6/</u>	(422,847)	(323,026)	(99,821)
Transfers	<u>7/</u>	0	(158,703)	158,703
Assets January 1, 2009		\$52,199,532	\$41,047,512	\$11,152,020
Contributions		3,600,000	3,600,000	0
Employee Contributions		154,613	121,462	33,151
Earnings		14,070,196	11,044,020	3,026,176
Benefit Payments		(1,804,875)	(1,566,589)	(238,286)
Administrative Expenses		(431,389)	(338,607)	(92,782)
Transfers		0	(151,097)	151,097
Assets January 1, 2010		\$67,788,077	\$53,756,701	\$14,031,376
Contributions		3,000,000	3,000,000	0
Employee Contributions		132,617	100,393	32,224
Earnings		7,943,935	6,292,502	1,651,433
Benefit Payments		(2,005,266)	(1,705,380)	(299,886)
Administrative Expenses		(422,764)	(334,877)	(87,887)
Transfers		0	(128,362)	128,362
Assets January 1, 2011		\$76,436,599	\$60,980,977	\$15,455,622
Contributions		3,100,000	3,100,000	0
Employee Contributions		112,637	85,709	26,928
Earnings		3,979,381	3,172,803	806,578
Benefit Payments		(2,514,669)	(2,153,326)	(361,343)
Administrative Expenses		(470,058)	(374,782)	(95,276)
Transfers		0	347,048	(347,048)
Assets January 1, 2012		\$80,643,890	\$65,158,429	\$15,485,461

Description		Total Company	Other Segment	Medicare Segment
Assets January 1, 2012		\$80,643,890	\$65,158,429	\$15,485,461
Contributions		600,000	600,000	0
Employee Contributions		105,733	79,407	26,326
Earnings		9,665,897	7,800,200	1,865,697
Benefit Payments		(5,151,289)	(4,367,752)	(783,537)
Administrative Expenses		(380,609)	(307,144)	(73,465)
Transfers		0	194,866	(194,866)
Assets December 31, 2012		\$85,483,622	\$69,158,006	\$16,325,616
Per WPS	8/	\$85,483,622	\$69,399,580	\$16,084,042
Asset Variance	9/	\$0	(\$241,574)	\$241,574

## ENDNOTES

- 1/ We determined the Medicare segment pension assets as of January 1, 2008, based on our prior segmentation audit of WPS (A-07-10-00335). The amounts shown for the Other segment represent the difference between the Total Company and the Medicare segment. All pension assets are shown at market value.
- 2/ We obtained Total Company contribution amounts from the actuarial valuation reports and Department of Labor/Internal Revenue Service Forms 5500. We allocated Total Company contributions to the Medicare segment based on the ratio of the Medicare segment funding target divided by the Total Company funding target. Contributions in excess of the funding targets were treated as prepayment credits and accounted for in the Other segment until needed to fund pension costs in the future.
- 3/ We obtained Total Company employee contributions from the actuarial valuation reports. The Medicare segment employee contributions were actual contributions made by the Medicare segment employees.
- 4/ We obtained net investment earnings from the actuarial valuation reports. We allocated net investment earnings based on the ratio of each segment's weighted average value (WAV) of assets to Total Company WAV of assets as required by the CAS.
- 5/ We based the Medicare segment's benefit payments on actual payments to Medicare retirees. We obtained the benefit payments from documents provided by WPS.
- 6/ In accordance with the CAS, we allocated administrative expenses to each Medicare segment in proportion to investment earnings.
- 7/ We identified participant transfers between segments by comparing valuation data files provided by WPS. Asset transfers were equal to the actuarial liability determined under the accrued benefit cost method in accordance with the CAS.

8/ We obtained total asset amounts from documents prepared by WPS's actuarial consulting firm.

9/ The asset variance represents the difference between our calculation of Medicare segment pension assets and WPS's calculation of the Medicare segment pension assets.

## **APPENDIX C: FEDERAL REQUIREMENTS RELATED TO PENSION SEGMENTATION**

### **FEDERAL REGULATIONS**

Federal regulations (CAS 412.50(a)(4)) require that contributions in excess of the pension cost assigned to the period be recognized as prepayment credits and accumulated at the assumed valuation interest rate until applied to future period costs. Prepayment credits that have not been applied to fund pension costs are excluded from the value of assets used to compute pension costs.

Federal regulations (CAS 413.50(c)(7)) require that the asset base be adjusted by contributions, permitted unfunded accruals, income, benefit payments, and expenses. For plan years beginning after March 30, 1995, the CAS requires investment income and expenses to be allocated among segments based on the ratio of the segment's WAV of assets to Total Company WAV of assets.

Federal regulations (CAS 413.50(c)(8)) require an adjustment to be made for transfers (participants who enter or leave the segment) if the transfers materially affect the segment's ratio of pension plan assets to actuarial accrued liabilities.

### **MEDICARE CONTRACTS**

The Medicare contracts identify a Medicare segment 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 are charged to the Medicare agreement/contract, and these salary dollars represent 40% or more of the total salary dollars charged to the Medicare agreement/contract.

Furthermore, the Medicare contracts state that "... the pension assets allocated to each Medicare Segment shall be adjusted in accordance with CAS 413.50(c)(7)."

November 8, 2017

Mr. Patrick J. Cogley  
Regional Inspector General for Audit Services  
HHS, Office of Audit Services Region VII  
601 East 12<sup>th</sup> Street, Room 0429  
Kansas City, MO 64106

RE: OIG Report Number A-07-17-00516

Dear Mr. Cogley:

This letter is in response to Draft Report Number A-07-17-00516, *Wisconsin Physicians Service Insurance Corporation Understated Its Medicare Segment Pension Assets for Its Employees' Pension Plan*. You requested that WPS provide you with a written comment including a statement of concurrence or nonconcurrence with each recommendation.

WPS does not concur with the Draft Report's recommendation to increase the Medicare segment pension assets by \$241,574 and recognize Medicare segment assets of \$16,325,616. WPS also believes that it has established and implemented controls, policies and procedures to ensure compliance with Federal regulations and the pension segmentation language of the Medicare contracts. WPS merely disagrees with the Draft Report's interpretation of those regulations and contracts.

OIG identified three participants as transfers into the Medicare segment between 2008 and 2009. WPS believes these participants were always part of the Medicare segment. As a result, WPS believes using the OIG audited Medicare segmentation overstates the asset value by roughly \$100,000.

Due to privacy concerns, WPS is not including identifying information for the three participants in question in this response. However, WPS is willing to share this information in a secure fashion to confirm our position.

The resulting impact on cost from using either OIG's segmented assets or WPS's segmented assets is relatively small during the years of this audit.

WPS concurs on all other differences.

Thank you for the opportunity to comment, please contact me at (402) 995-0361 or e-mail me at [Janet.Kyle@wpsic.com](mailto:Janet.Kyle@wpsic.com) if you have any questions.

Sincerely,

Janet L. Kyle  
Executive Vice President  
GHA Division