

Department of Health and Human Services
Office of Inspector General



Office of Audit Services

August 2025 | OAS-25-07-028

**Palmetto Government Benefits
Administrator, LLC, Understated Its
Excess Plan Medicare Segment
Pension Assets as of
January 1, 2022**

REPORT HIGHLIGHTS



August 2025 | OAS-25-07-028

Palmetto Government Benefits Administrator, LLC, Understated Its Excess Plan Medicare Segment Pension Assets as of January 1, 2022

Why OIG Did This Audit

- 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.
- Previous OIG audits found that Medicare contractors did not always correctly identify and update the segmented pension assets.
- This audit examined whether Palmetto complied with Federal requirements and its established cost accounting practice when (1) implementing the prior audit recommendation to decrease the Blue Cross Blue Shield of South Carolina Excess Plan (Excess Plan) Medicare segment assets as of January 1, 2017, and (2) updating its Excess Plan Medicare segment pension assets from January 1, 2017, to January 1, 2022.

What OIG Found

- Palmetto implemented our prior audit recommendation to decrease the Excess Plan Palmetto Medicare segment pension assets by \$9,196 as of January 1, 2017.
- Palmetto did not correctly update its Excess Plan Medicare segment pension assets from January 1, 2017, to January 1, 2022, in accordance with Federal requirements. Palmetto identified \$2.5 million as its Excess Plan Medicare segment pension assets as of January 1, 2022; however, we determined that those assets were \$2.6 million as of that date. Therefore, Palmetto understated its Excess Plan Medicare segment pension assets as of January 1, 2022, by \$169,446.
- Palmetto's policies and procedures did not always ensure that it calculated those Excess Plan assets in accordance with Federal requirements when updating its Excess Plan Medicare segment pension assets from January 1, 2017, to January 1, 2022.

What OIG Recommends

We recommend that Palmetto increase its Excess Plan Medicare segment pension assets by \$169,446 and recognize \$2.6 million as the Excess Plan Medicare segment pension assets as of January 1, 2022, and improve policies and procedures to ensure that going forward, it calculates Excess Plan Medicare segment pension assets in accordance with Federal requirements.

Palmetto concurred with our findings but did not specifically indicate concurrence or nonconcurrence with our recommendations. Palmetto said that it would work with CMS to ensure the final settlement and collection of contract costs.

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INTRODUCTION

WHY WE DID THIS AUDIT

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

At CMS's request, the Department of Health and Human Services, Office of Inspector General, Office of Audit Services, reviews the cost elements related to qualified defined-benefit, nonqualified defined-benefit, postretirement benefit, and any other pension-related cost elements claimed by Medicare administrative contractors (MACs) and other CAS-covered and Federal Acquisition Regulation (FAR)-covered contracts through Incurred Cost Proposals (ICPs).

For this audit of Palmetto Government Benefits Administrator, LLC (Palmetto), a Medicare contractor, we examined the Blue Cross Blue Shield of South Carolina (BCBS South Carolina) Excess Plan (Excess Plan) Palmetto Medicare segment pension assets that were updated from January 1, 2017, to January 1, 2022.

OBJECTIVE

Our objective was to determine whether Palmetto complied with Federal requirements and its established cost accounting practice when (1) implementing the prior audit recommendation to decrease the Excess Plan Medicare segment assets as of January 1, 2017, and (2) updating its Excess Plan Medicare segment pension assets from January 1, 2017, to January 1, 2022.

BACKGROUND

Palmetto Government Benefits Administrator, LLC, and Medicare

During our audit period, Palmetto was a subsidiary of BCBS South Carolina, whose home office is in Columbia, South Carolina. Palmetto administers Medicare operations under the MAC contracts for Medicare Parts A and B Jurisdictions J and M effective September 7, 2017, and April 1, 2015, respectively, as well as other CAS-covered and FAR-covered contracts.^{1, 2}

¹ Medicare Parts A and B Jurisdiction J consists of the States of Alabama, Georgia, and Tennessee.

² Medicare Parts A and B Jurisdiction M consists of the States of North Carolina, South Carolina, Virginia, and West Virginia (but excludes Part B for the counties of Arlington and Fairfax in Virginia and the city of Alexandria in Virginia). Jurisdiction M also includes home health and hospice services provided in the States of Alabama, Arkansas, Florida, Georgia, Illinois, Indiana, Kentucky, Louisiana, Mississippi, New Mexico, North Carolina, Ohio, Oklahoma, South Carolina, Tennessee, and Texas.

Palmetto also continues to perform Railroad Retirement Board contract operations under a specialty MAC contract awarded on November 27, 2012.

During our audit period, the Excess Plan had three Medicare segments: Palmetto; Companion Data Services, LLC (CDS); and Partial Medicare.³ This report addresses Palmetto's compliance with the pension segmentation language under the provisions of Federal requirements and its Medicare contracts. We are addressing the Excess Plan Medicare segment pension assets for the CDS and Partial Medicare segments in separate audits.

Blue Cross Blue Shield of South Carolina Excess Plan

BCBS South Carolina sponsors the Excess Plan, which uses the accrual method to calculate its Medicare segment pension assets and costs. The purpose of the Excess Plan is to provide benefits in excess of the limits imposed by the Employee Retirement Income Security Act of 1974 for participants in BCBS South Carolina's qualified defined-benefit plan.⁴

Prior Excess Plan Segmentation Audit

We performed a prior segmentation audit of the Excess Plan Palmetto Medicare segment pension assets (A-07-20-00598, Apr. 8, 2021), which brought the Excess Plan Palmetto Medicare segment pension assets to January 1, 2017. We recommended that Palmetto decrease its Excess Plan Medicare segment pension assets by \$9,196 and recognize \$737,271 as the Excess Plan Palmetto Medicare segment pension assets as of January 1, 2017.

HOW WE CONDUCTED THIS AUDIT

We reviewed Palmetto's implementation of the prior audit recommendation, its identification of its Excess Plan Medicare segment, and its update of the Excess Plan Medicare segment pension assets from January 1, 2017, to January 1, 2022.

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.

³ The Partial Medicare segment allocates costs to three Medicare segments: Palmetto, CDS, and CGS Administrators, LLC.

⁴ The Employee Retirement Income Security Act of 1974, P.L. No. 93-406 (Sept. 2, 1974).

FINDINGS

Palmetto implemented our prior audit recommendation to decrease the Excess Plan Palmetto Medicare segment pension assets by \$9,196 as of January 1, 2017.⁵ Regarding our second objective, Palmetto did not correctly update its Excess Plan Medicare segment pension assets from January 1, 2017, to January 1, 2022, in accordance with Federal requirements. Palmetto identified \$2,471,173 as its Excess Plan Medicare segment pension assets as of January 1, 2022; however, we determined that those assets were \$2,640,619 as of that date. Therefore, Palmetto understated its Excess Plan Medicare segment pension assets as of January 1, 2022, by \$169,446. Palmetto understated those pension assets because its policies and procedures did not always ensure that it calculated those assets in accordance with Federal requirements when updating its Excess Plan Medicare segment pension assets from January 1, 2017, to January 1, 2022.

Appendix B identifies the details of the Excess Plan Palmetto Medicare segment pension assets from January 1, 2017, to January 1, 2022, as determined during our audit. Table 1 summarizes the audit adjustments required to update the Excess Plan Palmetto Medicare segment pension assets in accordance with Federal requirements.

Table 1: Summary of Audit Adjustments

	Per Audit	Per Palmetto	Difference
Prior Audit Recommendation	\$737,271	\$746,467	(\$9,196)
Update of Excess Plan Palmetto Medicare Segment Assets			
Prior Audit Adjustment ⁶	0	42,409	(42,409)
Contributions and Prepayment Credits	2,024,457	1,836,995	187,462
Benefit Payments	(555,876)	(555,876)	0
Earnings, Net of Expenses	434,767	401,178	33,589
Understatement of Excess Plan Palmetto Medicare Segment Assets			\$169,446

⁵ Implementation of our prior audit recommendation required the restatement of Palmetto's annual valuation report. Palmetto stated that it did not object to our prior audit findings and recommendations and chose to update the assets in its January 1, 2021, valuation report.

⁶ The prior audit adjustment refers to the adjustment for the prior audit recommendation, identified in the prior audit report (A-07-20-00598, Apr. 8, 2021). Instead of revising each year's CAS valuation, Palmetto chose to make a cumulative adjustment in the January 1, 2021, valuation. This adjustment incorporated the prior audit finding plus the cumulative assets' impacts of the prior audit recommendation. See also the "Prior Audit Recommendation" section just below for additional details.

PRIOR AUDIT RECOMMENDATION

We performed a prior segmentation audit on Palmetto's Medicare segment pension assets (A-07-20-00598, Apr. 8, 2021), which recommended that Palmetto decrease its Excess Plan Medicare segment pension assets by \$9,196 and, as a result, recognize \$737,271 as the Excess Plan Medicare segment assets as of January 1, 2017. Palmetto stated that it did not object to our prior audit recommendation.

Palmetto implemented the prior audit recommendation during CY 2020 in its January 1, 2021, valuation report (footnote 6). To do so, Palmetto made a net adjustment of \$42,409 (*i.e.*, a \$9,196 decrease because of the prior audit recommendation plus an increase of \$51,605 that reflected the cumulative assets' impacts of the prior audit recommendation).

UPDATE OF EXCESS PLAN PALMETTO MEDICARE SEGMENT PENSION ASSETS

Federal requirements 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, see Appendix C.

Palmetto did not correctly update its Excess Plan Medicare segment pension assets from January 1, 2017, to January 1, 2022, in accordance with Federal requirements. Palmetto identified \$2,471,173 as its Excess Plan Medicare segment pension assets as of January 1, 2022; however, we determined that those assets were \$2,640,619 as of that date. Therefore, Palmetto understated its Excess Plan Medicare segment pension assets as of January 1, 2022, by \$169,446. The following are our findings regarding the update of the Excess Plan Medicare segment pension assets from January 1, 2017, to January 1, 2022. Appendix D identifies the Excess Plan's CAS balance equation as of January 1, 2022.⁷

Contributions and Transferred Prepayment Credits Understated

The audited contributions and transferred prepayment credits are based on the assignable pension costs.^{8,9} In compliance with the CAS, we applied prepayment credits first to current-year assignable pension costs (because the credits were available at the beginning of the year) and then updated any remaining credits with interest to the next measurement (valuation)

⁷ The CAS balance equation identifies the market value of assets, actuarial accrued liability, actuarial value of assets, accumulated value of prepayment credits, and the unfunded actuarial liability in accordance with CAS 412-40(c).

⁸ A prepayment credit is the amount funded in excess of the pension costs assigned to a cost accounting period that is carried forward for future recognition.

⁹ These are assigned to a specific cost accounting period.

date. We then allocated contributions to assigned pension costs, as needed, as of the date of deposit. For additional details on these Federal requirements, see Appendix C.

Palmetto understated contributions and transferred prepayment credits by \$187,462 for its Excess Plan Medicare segment. The understatement occurred primarily because of differences in the asset base used to compute the assignable pension costs.

Table 2 shows the differences between the contributions and transferred prepayment credits proposed by Palmetto and the contributions and transferred prepayment credits that we calculated during our audit.

Table 2: Contributions and Transferred Prepayment Credits

Calendar Year	Per Audit	Per Palmetto	Difference
2017	\$310,031	\$194,750	\$115,281
2018	369,709	381,627	(11,918)
2019	423,550	426,998	(3,448)
2020	482,802	369,709	113,093
2021	438,365	463,911	(25,546)
Totals	\$2,024,457	\$1,836,995	\$187,462

Earnings, Net of Expenses, Understated

Palmetto understated investment earnings, less administrative expenses, by \$33,589 for its Excess Plan Medicare segment. This occurred because of Palmetto's implementation of our prior audit recommendation and the cumulative assets' impacts of the prior audit recommendation, and because Palmetto used incorrect contributions and transferred prepayment credits (discussed above) to develop its Excess Plan Medicare segment pension asset base. We allocated earnings, net of expenses, based on the applicable CAS requirements when we audited the update of the Medicare segment assets.

For details on applicable Federal requirements, see Appendix C. Table 3 on the following page shows the difference in the earnings, net of expenses, proposed by Palmetto and the earnings, net of expenses, that we calculated during our audit.

Table 3: Earnings, Net of Expenses

Calendar Year	Per Audit	Per Palmetto	Difference
2017	\$61,934	\$55,814	\$6,120
2018	(10,031)	(9,375)	(656)
2019	158,529	146,472	12,057
2020	185,095	170,862	14,233
2021	39,240	37,405	1,835
Totals	\$434,767	\$401,178	\$33,589

RECOMMENDATIONS

We recommend that Palmetto Government Benefits Administrator, LLC:

- increase its Excess Plan Medicare segment pension assets by \$169,446 and recognize \$2,640,619 as the Excess Plan Medicare segment pension assets as of January 1, 2022, and
- improve policies and procedures to ensure that going forward, it calculates Excess Plan Medicare segment pension assets in accordance with Federal requirements.

AUDITEE COMMENTS

In written comments on our draft report, Palmetto, through its parent company, BCBS South Carolina, concurred with our findings but did not specifically indicate concurrence or nonconcurrence with our recommendations. Palmetto said that it would work with its actuarial firm to ensure that the recommendations are implemented prospectively, beginning with calendar year 2025. Palmetto also stated that it would work with CMS to ensure the final settlement and collection of contract costs.

Palmetto's comments appear in their entirety as Appendix E.¹⁰

¹⁰ Although BCBS South Carolina, of which Palmetto is a subsidiary, provided written comments on this draft report, for consistency we associate these comments with Palmetto.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

We reviewed Palmetto's implementation of the prior audit recommendation, its identification of its Excess Plan Medicare segment, and its update of the Excess Plan Palmetto Medicare segment pension assets from January 1, 2017, to January 1, 2022.

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

We performed our audit work from August 2023 to June 2025.

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 BCBS South Carolina'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 Excess Plan Palmetto Medicare segment assets;
- reviewed the annual trust statements, which included the pension plan's assets, contributions, benefit payments, investment earnings, and administrative expenses, and used this information to calculate the Excess Plan Palmetto Medicare segment assets;
- interviewed BCBS South Carolina staff responsible for identifying the Excess Plan Palmetto Medicare segment to determine whether the segment was properly identified in accordance with BCBS South Carolina's established cost accounting practice;
- reviewed BCBS South Carolina's accounting records to verify the Excess Plan Palmetto Medicare segment identification as well as the benefit payments made from the Excess Plan Palmetto Medicare segment;
- reviewed the prior segmentation audit performed at Palmetto (A-07-20-00598, Apr. 8, 2021) to determine the beginning market value of assets for the Excess Plan Palmetto Medicare segment;

- provided the CMS Office of the Actuary, which provides technical actuarial advice, with the actuarial information necessary for it to calculate the Excess Plan Palmetto Medicare segment pension assets from January 1, 2017, to January 1, 2022;
- reviewed the CMS actuaries' methodology and calculations; and
- provided the results of our audit to Palmetto officials.

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

- *Companion Data Services, LLC, Overstated Its Excess Plan Medicare Segment Pension Assets as of January 1, 2022 (OAS-25-07-027)* and
- *Blue Cross Blue Shield of South Carolina Overstated Its Excess Plan Partial Medicare Segment Pension Assets as of January 1, 2022 (OAS-25-07-026).*

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: PALMETTO GOVERNMENT BENEFITS ADMINISTRATOR, LLC,
STATEMENT OF MEDICARE SEGMENT EXCESS PLAN ASSETS
FOR THE PERIOD JANUARY 1, 2017, TO JANUARY 1, 2022**

Description		Total Company	Other Segments	100% Palmetto Medicare Segment	100% CDS Medicare Segment	Partial Medicare Segment	Non Medicare Segment
Assets January 1, 2017	<u>1/</u>	\$71,507,145	\$67,748,413	\$737,271	\$263,103	(\$10,750)	\$2,769,108
Prepayment credits	<u>2/</u>	0	(6,729,342)	310,031	130,308	1,924,857	4,364,146
Contributions	<u>3/</u>	3,069,116	3,069,116	0	0	0	0
Earnings	<u>4/</u>	4,229,217	3,686,629	61,934	23,265	100,685	356,704
Benefit payments	<u>5/</u>	(3,069,116)	(443,160)	0	0	(423,071)	(2,202,885)
Assets January 1, 2018		\$75,736,362	\$67,331,656	\$1,109,236	\$416,676	\$1,591,721	\$5,287,073
Prepayment credits		0	(7,280,220)	369,709	155,153	2,035,410	4,719,948
Contributions		47,010,084	47,010,084	0	0	0	0
Earnings		(604,242)	(516,548)	(10,031)	(3,562)	(19,711)	(54,390)
Benefit payments		(5,510,084)	0	0	(93,383)	(1,441,712)	(3,974,989)
Assets January 1, 2019		\$116,632,120	\$106,544,972	\$1,468,914	\$474,884	\$2,165,708	\$5,977,642
Prepayment credits		0	(7,954,130)	423,550	124,032	2,263,929	5,142,619
Contributions		4,278,702	4,278,702	0	0	0	0
Earnings		9,670,819	8,544,758	158,529	50,884	296,554	620,094
Benefit payments		(11,042,702)	(1,336,330)	(71,634)	(5,963)	(1,912,967)	(7,715,808)
Assets January 1, 2020		\$119,538,939	\$110,077,972	\$1,979,359	\$643,837	\$2,813,224	\$4,024,547
Prepayment credits		0	(9,175,246)	482,802	139,525	2,616,271	5,936,648
Contributions		10,027,431	10,027,431	0	0	0	0
Earnings		8,972,771	7,837,324	185,095	58,890	405,842	485,620
Benefit payments		(8,885,431)	(1,820,719)	0	0	(61,882)	(7,002,830)
Assets January 1, 2021		\$129,653,710	\$116,946,762	\$2,647,256	\$842,252	\$5,773,455	\$3,443,985

Description		Total Company	Other Segments	Palmetto Medicare Segment	CDS Medicare Segment	Partial Medicare Segment	Non Medicare Segment
Assets January 1, 2021		\$129,653,710	\$116,946,762	\$2,647,256	\$842,252	\$5,773,455	\$3,443,985
Prepayment credits		0	(8,871,083)	438,365	176,884	2,635,334	5,620,500
Contributions		16,460,433	16,460,433	0	0	0	0
Earnings		1,863,899	1,581,685	39,240	14,064	113,928	114,982
Benefit payments		(2,347,763)	(92,378)	(484,242)	0	(306,275)	(1,464,868)
Assets January 1, 2022		\$145,630,279	\$126,025,419	\$2,640,619	\$1,033,200	\$8,216,442	\$7,714,599
Per BCBS South Carolina	6/	\$145,642,129	\$126,023,213	\$2,471,173	\$1,056,372	\$11,042,588	\$5,048,783
Asset variance	7/	(\$11,850)	\$2,206	\$169,446	(\$23,172)	(\$2,826,146)	\$2,665,816

ENDNOTES

- 1/ We determined the Total Company, Medicare, and non-Medicare segments' pension assets as of January 1, 2017, based on our prior segmentation audit of Palmetto's Excess Plan Assets (A-07-20-00598; Apr. 8, 2021). The amounts shown for the Other segment represent the difference between the Total Company and the Medicare and non-Medicare segments. All pension assets are shown at market value.
- 2/ Transferred prepayment credits represent funds available to satisfy future funding requirements and are applied to future funding requirements before current-year contributions in order to avoid incurring unallowable interest. Prepayment credits are transferred to the Medicare and non-Medicare segments as needed to cover funding requirements.
- 3/ We obtained Total Company contribution amounts from documents provided by BCBS South Carolina. We allocated Total Company contributions to the Medicare and non-Medicare segments based on the ratio of the Medicare segment's 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.
- 4/ We obtained net investment earnings from documents provided by BCBS South Carolina. 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 segments' benefit payments on actual payments to Medicare segment retirees. We obtained the benefit payments from documents provided by BCBS South Carolina.

6/ We obtained total asset amounts from documents prepared by BCBS South Carolina's actuarial consulting firm.

7/ The asset variance represents the difference between our calculation of the Excess Plan Palmetto Medicare segment pension assets and Palmetto's calculation of its Excess Plan Medicare segment pension assets.

APPENDIX C: FEDERAL REQUIREMENTS RELATED TO PENSION SEGMENTATION

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.

**APPENDIX D: PALMETTO GOVERNMENT BENEFITS ADMINISTRATOR, LLC,
EXCESS PLAN COST ACCOUNTING STANDARDS BALANCE EQUATION
AS OF JANUARY 1, 2022**

Description		Total Company	Other Segments	100% Palmetto Medicare Segment	100% CDS Medicare Segment	Partial Medicare Segment	Non Medicare Segment
Actuarial Accrued Liability	<u>1/</u>	\$ 104,078,725	\$ 59,864,878	\$ 3,656,250	\$ 1,464,379	\$ 15,849,612	\$ 23,243,606
Less: Actuarial Value of Assets	<u>2/</u>	(150,273,139)	(130,043,253)	(2,724,805)	(1,066,140)	(8,478,392)	(7,960,549)
Unfunded Actuarial Liability	<u>3/</u>	\$ (46,194,414)	\$ (70,178,375)	\$ 931,445	\$ 398,239	\$ 7,371,220	\$ 15,283,057
9904.412-50(a)(2) Unallowable	<u>4/</u>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Prepayment Credit	<u>5/</u>	(81,248,116)	(81,248,116)	-	-	-	-
Adjustments to UAL	<u>6/</u>	\$ (81,248,116)	\$ (81,248,116)	\$ -	\$ -	\$ -	\$ -
Net Unamortized Balance	<u>7/</u>	\$ 35,053,702	\$ 11,069,741	\$ 931,445	\$ 398,239	\$ 7,371,220	\$ 15,283,057
Market Value of Assets	<u>8/</u>	\$ 145,630,279	\$ 126,025,419	\$ 2,640,619	\$ 1,033,200	\$ 8,216,442	\$ 7,714,599

ENDNOTES

1/ Actuarial accrued liability (AAL) represents the pension cost attributable, under the actuarial cost method in use, to years prior to January 1, 2022. We obtained the total company AAL from the January 1, 2022, BCBS South Carolina Excess Plan actuarial valuation report. The AALs for the Other Segment, Medicare segment, and non-Medicare segment were determined as a result of our audit.

2/ The actuarial value of assets (AVA) is the value of cash, investments, and other property belonging to a pension plan, as used by the actuary for the purpose of an actuarial valuation. The AVA shown here was computed by the CMS Office of the Actuary based on audited values as of January 1, 2022.

3/ The unfunded actuarial liability (UAL) is the AAL less the AVA as of January 1, 2022. An actuarial surplus, or negative UAL, is created whenever the AVA exceeds the AAL.

4/ The 9904.412-50(a)(2) Unallowable represents the prior-period pension costs determined to be unallowable in accordance with Government contractual provisions in effect at the time or pension costs assigned to a cost accounting period that were not funded in that period. This is an adjustment to the UAL required by CAS 412-50(a)(2).

5/ The prepayment credit represents funds available to satisfy future funding requirements. This is an adjustment to the AVA for premature funding of future pension costs required by CAS 412-50(a)(4).

6/ Adjustments to the UAL represent the sum of the unallowable and prepayment balances as of January 1, 2022.

7/ The net unamortized balance is the UAL less the adjustments to the UAL. It is the portion of the UAL yet to be amortized in accordance with CAS 412-50(a)(1) and CAS 413-50(a)(2).

8/ The market value of assets represents the current value of assets as of January 1, 2022, plus the current value of any accrued contributions used to fund pension costs assigned to periods prior to January 1, 2022.



BlueCross BlueShield of South Carolina
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SouthCarolinaBlues.com

July 8, 2025

James I. Korn
 Regional Inspector General for Audit Services
 Office of Audit Services, Region VII
 1201 Walnut Street, Suite 1309
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Report Numbers:

A-07-23-00638	OAS-25-07-020	OAS-25-07-022
OAS-25-07-023	OAS-25-07-026	OAS-25-07-027
OAS-25-07-028	OAS-25-07-046	OAS-25-07-047
OAS-25-07-052	OAS-25-07-051	

Dear Mr. Korn:

We are responding to the U.S. Department of Health and Human Services, Office of Inspector General, draft reports referenced above which pertain to the BlueCross BlueShield South Carolina sponsored qualified-defined benefit pension plan and excess plan.

We concur with findings in each report, we will work with our actuarial firm to ensure we implement the recommendations prospectively beginning with calendar year 2025, consistent with the timing of receipt of reports referenced above. The findings collectively resulted in underbilling costs for each of our companies for calendar years 2017-2021. We will work with CMS to ensure final settlement and collection of these costs.

We appreciate the opportunity to comment on the recommendations. Please let me know if you have any questions or need additional information regarding our response.

Sincerely,

/Jennifer Capell/

Jennifer Capell
 Vice President, Corporate Controller
 BlueCross BlueShield South Carolina

Cc: Bruce Hughes, Celerian Group
 Lori Hair, BlueCross BlueShield South Carolina
 Jamie Keller, Companion Data Services, LLC
 Michael Logan, CGS Administrators, LLC
 Nancy Lybrand, Palmetto GBA, LLC

Report Fraud, Waste, and Abuse

OIG Hotline Operations accepts tips and complaints from all sources about potential fraud, waste, abuse, and mismanagement in HHS programs. Hotline tips are incredibly valuable, and we appreciate your efforts to help us stamp out fraud, waste, and abuse.



TIPS.HHS.GOV

Phone: 1-800-447-8477

TTY: 1-800-377-4950

Who Can Report?

Anyone who suspects fraud, waste, and abuse should report their concerns to the OIG Hotline. OIG addresses complaints about misconduct and mismanagement in HHS programs, fraudulent claims submitted to Federal health care programs such as Medicare, abuse or neglect in nursing homes, and many more. [Learn more about complaints OIG investigates.](#)

How Does It Help?

Every complaint helps OIG carry out its mission of overseeing HHS programs and protecting the individuals they serve. By reporting your concerns to the OIG Hotline, you help us safeguard taxpayer dollars and ensure the success of our oversight efforts.

Who Is Protected?

Anyone may request confidentiality. The Privacy Act, the Inspector General Act of 1978, and other applicable laws protect complainants. The Inspector General Act states that the Inspector General shall not disclose the identity of an HHS employee who reports an allegation or provides information without the employee's consent, unless the Inspector General determines that disclosure is unavoidable during the investigation. By law, Federal employees may not take or threaten to take a personnel action because of [whistleblowing](#) or the exercise of a lawful appeal, complaint, or grievance right. Non-HHS employees who report allegations may also specifically request confidentiality.

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