

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**CAHABA SAFEGUARD  
ADMINISTRATORS, LLC, OVERSTATED  
ITS MEDICARE SEGMENT PENSION  
ASSETS AS OF JANUARY 1, 2020**

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**Amy J. Frontz**  
Deputy Inspector General  
for Audit Services

January 2024  
A-07-23-00631

# *Office of Inspector General*

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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.

## Report in Brief

Date: January 2024

Report No. A-07-23-00631

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



### Why OIG Did This Audit

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

The HHS, OIG, Office of Audit Services, Region VII pension audit team reviews the cost elements related to qualified defined-benefit, postretirement benefit, and any other pension-related cost elements claimed by Medicare contractors through Incurred Cost Proposals (ICPs).

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

Our objectives were to determine whether Cahaba Safeguard Administrators, LLC (Cahaba CSA), complied with Federal requirements and its established cost accounting practice when updating the Medicare segment pension assets from January 1, 2017, to January 1, 2020.

### How OIG Did This Audit

We reviewed Cahaba CSA's identification of its Medicare segment and its update of the Medicare segment pension assets from January 1, 2017, to January 1, 2020.

## Cahaba Safeguard Administrators, LLC, Overstated Its Medicare Segment Pension Assets as of January 1, 2020

### What OIG Found

Cahaba CSA did not correctly update the Medicare segment pension assets from January 1, 2017, to January 1, 2020, in accordance with Federal regulations and its established cost accounting practice. Cahaba CSA identified Medicare segment pension assets of \$11.1 million as of January 1, 2020; however, we determined that those assets were \$11.0 million as of that date. Therefore, Cahaba CSA overstated the Medicare segment pension assets by \$94,960. Cahaba CSA overstated those pension assets because its policies and procedures did not always ensure that it calculated those assets in accordance with Federal regulations and its established cost accounting practice when updating the Medicare segment's pension assets from January 1, 2017, to January 1, 2020.

### What OIG Recommends and Auditee Comments

We recommend that Cahaba CSA decrease the Medicare segment pension assets by \$94,960 and recognize \$11.0 million as the Medicare segment pension assets as of January 1, 2020; and develop quality assurance procedures, to include improved policies and procedures, to ensure that going forward, it calculates Medicare segment pension assets in accordance with Federal requirements.

Cahaba CSA agreed with our recommendation to decrease the Medicare segment pension assets as of January 1, 2020, by \$94,960 and recognize \$11.0 million as the Medicare segment assets. In addition, Cahaba CSA stated that it would strengthen controls to ensure that the Medicare segment's assets are updated in accordance with the Medicare contracts.

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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 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, 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 administrative contractors (MACs) and other CAS-covered and Federal Acquisitions Regulation (FAR)-covered contracts through Incurred Cost Proposals (ICPs).

For this audit, we focused on one Medicare contractor, Cahaba Safeguard Administrators, LLC (Cahaba CSA). In particular, we examined the Medicare segment pension assets that Cahaba CSA updated from January 1, 2017, to January 1, 2020.

### OBJECTIVE

Our objective was to determine whether Cahaba CSA complied with Federal requirements and its established cost accounting practice when updating the Medicare segment pension assets from January 1, 2017, to January 1, 2020.

### BACKGROUND

#### **Cahaba Safeguard Administrators, LLC, and Medicare**

During our audit period, Cahaba CSA was a subsidiary of Blue Cross and Blue Shield of Alabama (BCBS Alabama), whose home office is in Birmingham, Alabama. The Cahaba CSA Medicare segment administered program safeguard functions under a contract with CMS until its contract terminated on September 30, 2017. Cahaba CSA continued to perform Medicare work through a wage index contract with CMS.

BCBS Alabama has two Medicare segments that participate in its qualified defined-benefit pension plan: (1) Cahaba Government Benefits Administrators, LLC (Cahaba GBA), and (2) Cahaba CSA. On January 1, 2013, BCBS Alabama created the Healthcare Business Solutions, LLC (HBS), intermediate home office segment (HBS segment) by transferring assets into it from

the Cahaba GBA and Cahaba CSA segments.<sup>1</sup> On December 31, 2018, Cahaba GBA transferred the participants working on its Benefit Coordination & Recovery Center (BCRC) contract to the Cahaba CSA segment.<sup>2</sup> The Cahaba GBA and HBS segments were then closed effective December 31, 2018. This report addresses the Medicare segment pension assets for Cahaba CSA for the period January 1, 2017, to January 1, 2020. We are addressing Cahaba GBA's compliance with Federal requirements in a separate audit.

### **Prior Pension Segmentation Audit**

We performed a prior pension segmentation audit of Cahaba CSA (A-07-19-00571, Nov. 20, 2019), which brought the Cahaba CSA Medicare segment pension assets to January 1, 2017. We found in that audit that Cahaba CSA properly updated the Medicare segment pension assets from January 1, 2014, to January 1, 2017.

### **HOW WE CONDUCTED THIS AUDIT**

We reviewed Cahaba CSA's identification of its Medicare segment and its update of the Medicare segment pension assets from January 1, 2017, to January 1, 2020.

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.

Appendix A contains details of our audit scope and methodology.

### **FINDINGS**

Cahaba CSA did not correctly update the Medicare segment pension assets from January 1, 2017, to January 1, 2020, in accordance with Federal regulations and its established cost accounting practice. Cahaba CSA identified Medicare segment pension assets of \$11,064,990 as of January 1, 2020; however, we determined that those assets were \$10,970,030 as of that date. Therefore, Cahaba CSA overstated the Medicare segment pension assets by \$94,960. Cahaba CSA overstated those pension assets because its policies and procedures did not always ensure that it calculated those assets in accordance with Federal regulations and its established

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<sup>1</sup> Although BCBS Alabama created the HBS segment, we determined that this segment was not a Medicare segment. However, we included the asset variances related to the HBS segment assets as part of Appendix B. Because HBS is not a Medicare segment, we do not opine on the variances noted in the HBS segment pension assets.

<sup>2</sup> Cahaba GBA's transfer of these BCRC contract participants to the Cahaba CSA segment was reflected in the "spinoff calculation" that we mention again in Appendices A and B.

cost accounting practice when updating the Medicare segment’s pension assets from January 1, 2017, to January 1, 2020.

Appendix B identifies the details of the Cahaba CSA Medicare segment’s pension assets from January 1, 2017, to January 1, 2020, as determined during our audit. Table 1 summarizes the audit adjustments required to update the Cahaba CSA Medicare segment’s pension assets in accordance with Federal requirements.

**Table 1: Summary of Audit Adjustments**

	<b>Per Audit</b>	<b>Per Cahaba CSA</b>	<b>Difference</b>
<b>Update of Medicare Segment Assets</b>			
Contributions and Prepayment Credits	\$1,535,993	\$1,615,625	(\$79,632)
Benefit Payments	(4,268,336)	(4,268,336)	0
BCRC Transfer	6,097,120	6,097,120	0
Net Transfers	269,293	247,403	21,890
Earnings, Net of Expenses	2,363,844	2,401,062	(37,218)
<b>Overstatement of Medicare Segment Assets</b>			<b>(\$94,960)</b>

**UPDATE OF 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 and the relevant language of the Medicare contracts, see Appendix C.

Cahaba CSA did not correctly update the Medicare segment pension assets from January 1, 2017, to January 1, 2020, in accordance with Federal requirements and its established cost accounting practice. Cahaba CSA identified \$11,064,990 as the Medicare segment pension assets as of January 1, 2020; however, we determined that those assets were \$10,970,030 as of that date. Therefore, Cahaba CSA overstated the Medicare segment pension assets as of January 1, 2020, by \$94,960. The following are our findings regarding the update of the Cahaba CSA Medicare segment pension assets from January 1, 2017, to January 1, 2020.

## Contributions and Transferred Prepayment Credits Overstated

The audited contributions and transferred prepayment credits<sup>3</sup> are based on the assignable pension costs.<sup>4</sup> 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) 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.

Cahaba CSA overstated contributions and transferred prepayment credits by \$79,632 for its Medicare segment. The overstatement occurred primarily because of difference in the asset base used to calculate the calendar year (CY) 2019 assignable pension costs.

## Net Transfers Understated

Cahaba CSA understated net transfers into its Medicare segment by \$21,890. The understatement occurred because Cahaba CSA incorrectly identified a participant who transferred in and out of its Medicare segment. This understatement of the net transfer adjustment resulted in an understatement of the Medicare segment pension assets by \$21,890. Table 2 shows the differences between the net transfers proposed by Cahaba CSA and the net transfers that we calculated during our audit.

**Table 2: Net Transfers**

<b>CY</b>	<b>Per Audit</b>	<b>Per Cahaba CSA</b>	<b>Difference</b>
2017	(\$386,843)	(\$386,843)	\$0
2018	(470,803)	(355,945)	(114,858)
2019	1,126,939	990,191	136,748
<b>Total</b>	<b>\$269,293</b>	<b>\$247,403</b>	<b>\$21,890</b>

## Earnings, Net of Expenses, Overstated

Cahaba CSA overstated investment earnings, less administrative expenses, by \$37,218 for its Medicare segment, because it used incorrect contributions and transferred prepayment credits and incorrect net transfers (all 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.

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<sup>3</sup> 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.

<sup>4</sup> These are assigned to a specific cost accounting period.

## **RECOMMENDATIONS**

We recommend that Cahaba Safeguard Administrators, LLC:

- decrease the Medicare segment pension assets by \$94,960 and recognize \$10,970,030 as the Medicare segment pension assets as of January 1, 2020; and
- develop quality assurance procedures, to include improved policies and procedures, to ensure that going forward, it calculates Medicare segment pension assets in accordance with Federal requirements.

## **AUDITEE COMMENTS**

In written comments on our draft report, Cahaba CSA agreed with our recommendation to decrease the Medicare segment pension assets as of January 1, 2020, by \$94,960 and recognize \$11.0 million as the Medicare segment assets. In addition, Cahaba CSA stated that it would strengthen controls to ensure that the Medicare segment's assets are updated in accordance with the Medicare contracts.

Cahaba CSA's comments appear in their entirety as Appendix E.

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

### **SCOPE**

We reviewed Cahaba CSA's identification of its Medicare segment and its update of the Medicare segment pension assets from January 1, 2017, to January 1, 2020.

Achieving our objective did not require that we review Cahaba CSA'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 CAS 412 and CAS 413.

We performed audit work at our office in Jefferson City, Missouri.

### **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 Alabama'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 BCBS Alabama and Cahaba CSA staff responsible for identifying the Medicare segment to determine whether the segment was properly identified in accordance with Cahaba CSA's established cost accounting practice;
- reviewed Cahaba CSA's accounting records to verify the Medicare segment identification as well as the benefit payments made from that segment;
- reviewed the prior segmentation audit performed of Cahaba CSA (A-07-19-00571, Nov. 20, 2019), to determine the beginning market value of assets;
- reviewed Cahaba GBA's spinoff calculation for the BCRC contract participants, which was prepared by Cahaba GBA's staff and its actuarial consulting firm;

- provided the CMS Office of the Actuary, which provides technical actuarial advice, with the actuarial information necessary for it to calculate the Medicare segment pension assets from January 1, 2017, to January 1, 2020;
- reviewed the CMS actuaries' methodology and calculations; and
- provided the results of our audit to Cahaba CSA officials on September 14, 2023.

We performed this audit in conjunction with the following audit and used the information obtained during it: *Cahaba Government Benefits Administrators, LLC, Properly Updated the Medicare Segment Pension Assets and Overstated Medicare's Share of the Medicare Segment Excess Pension Liabilities as of December 31, 2018 (A-07-22-00627)*.

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.

**APPENDIX B: CAHABA SAFEGUARD ADMINISTRATORS, LLC,  
STATEMENT OF MEDICARE SEGMENT PENSION ASSETS  
FOR THE PERIOD JANUARY 1, 2017, TO JANUARY 1, 2020**

Description		Total Company	Other Segments	Cahaba GBA Medicare Segment	Cahaba CSA Medicare Segment	HBS Segment
Assets January 1, 2017	<u>1/</u>	\$634,080,231	\$606,295,734	\$14,771,221	\$4,972,116	\$8,041,160
Prepayment Credits	<u>2/</u>	0	(3,507,341)	2,570,840	452,033	484,468
Contributions		0	0	0	0	0
Earnings	<u>3/</u>	89,335,777	85,010,698	2,430,660	803,050	1,091,369
Benefit Payments	<u>4/</u>	(73,224,535)	(68,492,175)	(2,172,139)	(106,875)	(2,453,346)
Administrative Expenses	<u>5/</u>	(1,834,507)	(1,745,691)	(49,914)	(16,491)	(22,411)
Transfers	<u>6/</u>	0	1,668,931	(536,659)	(386,843)	(745,429)
Assets January 1, 2018		\$648,356,966	\$619,230,156	\$17,014,009	\$5,716,990	\$6,395,811
Prepayment Credits		0	(3,095,674)	1,952,261	394,283	749,130
Contributions	<u>7/</u>	40,000,000	40,000,000	0	0	0
Earnings		(24,703,811)	(23,440,454)	(756,399)	(224,254)	(282,704)
Benefit Payments		(75,265,297)	(73,397,616)	(466,232)	(1,114,600)	(286,849)
Administrative Expenses		(2,278,353)	(2,161,838)	(69,760)	(20,682)	(26,073)
Transfers		0	5,617,908	(2,347,358)	(470,803)	(2,799,747)
BCRC Spinoff	<u>8/</u>	0	0	(6,097,120)	6,097,120	0
Curtailment Adjustment	<u>9/</u>	0	9,229,401	(9,229,401)	0	0
HBS Segment Transfer	<u>10/</u>	0	3,749,568	0	0	(3,749,568)
Assets January 1, 2019		\$586,109,505	\$575,731,451	\$0	\$10,378,054	\$0
Prepayment Credits		0	(689,677)	0	689,677	0
Contributions		30,000,000	30,000,000	0	0	0
Earnings		111,446,145	109,587,578	0	1,858,567	0
Benefit Payments		(44,496,016)	(41,449,155)	0	(3,046,861)	0
Administrative Expenses		(2,179,416)	(2,143,070)	0	(36,346)	0
Transfers		0	(1,126,939)	0	1,126,939	0
Assets January 1, 2020		\$680,880,218	\$669,910,188	\$0	\$10,970,030	\$0
Per Cahaba GBA	<u>11/</u>	\$680,880,218	\$669,815,228	\$0	\$11,064,990	\$0
Asset Variance	<u>12/</u>	\$0	\$94,960	\$0	(\$94,960)	\$0

**ENDNOTES**

- 1/ We determined the Medicare segment pension assets as of January 1, 2017, based on our prior segmentation audit of Cahaba CSA (A-07-19-00571; Nov. 20, 2019). The amounts shown for the Other segment represent the Total Company minus the HBS segment and the 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 segment as needed to cover funding requirements.
- 3/ 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.
- 4/ We based the Medicare segments' benefit payments on actual payments to Medicare retirees. We obtained the benefit payments from documents provided by Cahaba CSA.
- 5/ In accordance with the CAS, we allocated administrative expenses to each Medicare segment in proportion to investment earnings.
- 6/ We identified participant transfers between segments by comparing valuation data files provided by Cahaba CSA. Asset transfers were equal to the actuarial liability determined under the accrued benefit cost method in accordance with the CAS.
- 7/ 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.
- 8/ The BCRC participants were spun off from the Cahaba GBA segment and transferred into the Cahaba CSA segment.
- 9/ The Cahaba GBA segment closed requiring a curtailment adjustment for the Cahaba GBA segment.

10/ BCBS Alabama ended its separate accounting of the non-Medicare HBS segment by transferring the remaining HBS employees into the Other Segment.

11/ We obtained segment asset amounts from documents prepared by Cahaba CSA's actuarial consulting firm.

12/ The asset variance represents the difference between our calculation and Cahaba CSA's calculation of the Cahaba CSA Medicare segment, Cahaba GBA Medicare segment, and HBS segment pension assets. We discuss Cahaba GBA's Medicare segment asset variance in a separate report (A-07-22-00627). The HBS segment is not a Medicare segment; therefore, we do not opine on the variances noted in that segment's 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 412.64-1(b)) require contractors or subcontractors that become subject to the CAS, as amended, during the Pension Harmonization Rule Transition Period to phase in the minimum actuarial liability and minimum normal cost.<sup>5</sup> During each successive accounting period of the Pension Harmonization Rule Transition Period, the contractor shall recognize on a scheduled basis the amount by which the minimum actuarial liability differs from the actuarial accrued liability and the amount by which the sum of the minimum normal cost plus any expense load differs from the sum of the normal cost plus any expense load.

Federal regulations (CAS 412.64-1(b)(3)) require that the scheduled applicable percentages for each successive accounting period of the Pension Harmonization Rule Transition Period are as follows: 0 percent for the first cost accounting period, 25 percent for the second cost accounting period, 50 percent for the third cost accounting period, 75 percent for the fourth cost accounting period, and 100 percent for the fifth cost accounting period.

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.

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<sup>5</sup> Explanatory language in the CAS Harmonization Rule states: "To promote equity and fairness in achieving an orderly change in the contract cost accounting for pension costs, this final rule retains the transition period consisting of five cost accounting periods, the Pension Harmonization Rule Transition Period, that will phase in recognition of any adjustment of the actuarial accrued liability and normal cost. This transition method will apply to all contractors with contracts subject to CAS 412 and 413."

**APPENDIX D: CAHABA SAFEGUARD ADMINISTRATORS, LLC,  
COST ACCOUNTING STANDARDS BALANCE EQUATION  
AS OF JANUARY 1, 2020**

Description		Total Company	All Other Segments	Cahaba GBA Segment	Cahaba CSA Segment	HBS Segment
Actuarial Accrued Liability	<u>1/</u>	\$ 588,302,533	\$ 573,180,218	\$ -	\$ 15,122,315	\$ -
Less: Actuarial Value of Assets	<u>2/</u>	(649,563,185)	(639,097,720)	-	(10,465,465)	-
Unfunded Actuarial Liability	<u>3/</u>	\$ (61,260,652)	\$ (65,917,502)	\$ -	\$ 4,656,850	\$ -
9904.412-50(a)(2) Unallowable	<u>4/</u>	\$ 14,689,987	13,716,108	\$ -	\$ 973,879	\$ -
Prepayment Credit	<u>5/</u>	(277,064,291)	(277,064,291)	-	-	-
Adjustments to UAL	<u>6/</u>	\$ (262,374,304)	\$ (263,348,183)	\$ -	\$ 973,879	\$ -
Net Unamortized Balance	<u>7/</u>	\$ 201,113,652	\$ 197,430,681	\$ -	\$ 3,682,971	\$ -
Market Value of Assets	<u>8/</u>	\$ 680,880,218	\$ 669,910,188	\$ -	\$ 10,970,030	\$ -

**ENDNOTES**

- 1/ Actuarial accrued liability (AAL) represents the pension cost attributable under the actuarial cost method in use, for years prior to January 1, 2020. We obtained the total company AAL from Cahaba CSA. The AALs for the Other segment, Medicare segments, and HBS 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, 2020.
- 3/ The unfunded actuarial liability (UAL) is the AAL less the AVA as of January 1, 2020. 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, 2020.
- 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, 2020, plus the current value of any accrued contributions used to fund pension costs assigned to periods prior to January 1, 2020.

## APPENDIX E: AUDITEE COMMENTS



October 30, 2023

Department of Health and Human Services  
Office of Inspector General  
Office of Audit Services, Region VII  
Attention: James I. Korn, Regional Inspector General for Audit Services  
601 East 12<sup>th</sup> Street, Room 0429  
Kansas City, Missouri 64106

RE: Report Number A-07-23-00631 Cahaba Safeguard Administrators, LLC, Overstated Its Medicare Segment Pension Assets as of January 1, 2020

Dear Mr. Korn,

This report is in response to the draft report issued to Cahaba Safeguard Administrators, LLC (Cahaba CSA) for the above mentioned audit. We agree with the recommendation to decrease the Medicare segment pension assets as of January 1, 2020, by \$94,960 and recognize \$11.0 million as the Medicare segment's pension assets. In addition, Cahaba CSA will strengthen controls to ensure that the Medicare segment's assets are updated in accordance with the Medicare contracts.

If you should have questions regarding this letter, please contact Jon Michael Ogletree, Chief Financial Officer, at (205)-820-6012 or via e-mail at [jogletree@csallc.com](mailto:jogletree@csallc.com).

Sincerely,

/Jon Michael Ogletree/  
Jon Michael Ogletree  
Chief Financial Officer  
Cahaba Safeguard Administrators, LLC

CC: Randy Heal, President, Cahaba Safeguard Administrators, LLC  
Jon Michael Ogletree, Chief Financial Officer, Cahaba Safeguard Administrators, LLC  
Monique Houser, Compliance Officer, Cahaba Safeguard Administrators, LLC