DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Memorandum

Date DEC 3 1998

From for June Gibbs Brown
Inspector General

Michael Mangano

Subject Audit of Termination and Severance Costs - Medicare Part A and Part B - Aetna Life Insurance Company (A-01-98-00509)

To Nancy-Ann Min DeParle
Administrator
Health Care Financing Administration

This memorandum is to alert you to the issuance on Monday, December 7, 1998, of our final report. A copy is attached.

As of September 30, 1997, Aetna Life Insurance Company (Aetna) terminated its Medicare Part A and B contracts. This audit covers the costs claimed by Aetna through April 30, 1998 associated with the termination process and severance payments to eligible Medicare employees. Based on our audit, we are recommending for disallowance costs totaling $1,026,521. We also identified cost savings of $741,912.

Of the total costs claimed, we are recommending disallowance of $807,092 for costs related to severance payments because Aetna:

- o claimed severance costs for employees based on total years of work at Aetna. However, some employees had previously worked in Aetna's private lines of business. This resulted in an inequitable allocation of costs to the Medicare program. We recommend disallowance of $768,794.

- o claimed reimbursement for costs related to employee assistance and employee work/family strategies programs based on estimated cost per employee. The Health Care Financing Administration (HCFA) indicated that it would reimburse Aetna only for the actual costs of these services utilized by Medicare employees. We recommend disallowance of $38,298.

We are also recommending disallowance of $219,429 for costs related to termination because Aetna:

- o claimed unallowable lease termination costs for certain Medicare field offices. The costs represent rental and lease termination penalty costs applicable to periods after September 30, 1997. According to the Medicare contracts, costs incurred after the effective date of the non-renewal or termination of the contract are not allowable for Medicare reimbursement. We recommend disallowance of $197,333.

- claimed termination costs which included a duplicate claim for the remaining book value of assets still on Medicare books as of the closing of the Honolulu Part B field office. We recommend disallowance of $22,096.

The cost savings of $741,912 that we identified as part of this audit include: $523,720 related to an error in the initial voucher submissions for overstated fringe benefits and payroll taxes associated with severance payments and $218,192 from future severance payment requests if Aetna is reimbursed on the basis of an employee's Medicare service time only.

Subsequent to the completion of our audit field work, we were informed that Aetna and HCFA have reached a tentative agreement regarding the amount of reimbursement to be made to Aetna for these costs. Therefore, the recommendations included in this report may have already been addressed.

Attachment

For further information, contact:

William J. Hornby
Regional Inspector General
for Audit Services, Region I
(617) 565-2684

Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

AUDIT OF TERMINATION AND SEVERANCE COSTS MEDICARE PART A PART B AETNA LIFE INSURANCE COMPANY

JUNE GIBBS BROWN
Inspector General

DECEMBER 1998
A-01-98-00509

NOTICES

THIS REPORT IS AVAILABLE TO THE PUBLIC

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In accordance with the principles of the Freedom of Information Act, 5 U.S.C. 552, as amended by Public Law 104-231, Office of Inspector General, Office of Audit Services, reports are made available to members of the public to the extent information contained therein is not subject to exemptions in the Act. (See 45 CFR Part 5.)

OAS FINDINGS AND OPINIONS

The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed as well as other conclusions and recommendations in this report represent the findings and opinions of the HHS/OIG/OAS. Final determination on these matters will be made by authorized officials of the HHS divisions.

DEPARTMENT OF HEALTH & HUMAN SERVICES · USA

DEPARTMENT OF HEALTH & HUMAN SERVICES **OFFICE OF INSPECTOR GENERAL**

Office of Audit Services
Region I
John F. Kennedy Federal Building
Boston, MA 02203
(617) 565-2684

CIN A-01-98-00509

Mr. John Bermel, Controller
Aetna U.S. HealthCare MB65
151 Farmington Ave.
Hartford, CT 06156-7380

Dear Mr. Bermel:

Enclosed are two copies of the U.S. Department of Health and Human Services, Office of Inspector General, Office of Audit Services' report entitled "Audit of Termination and Severance Costs, Medicare Part A and Part B, Aetna Life Insurance Company." The report covered costs claimed through April 1998, which included $2,122,757 for termination costs and $24,828,942 for severance costs. It is our understanding that Aetna will continue to incur additional termination and severance costs until about the fourth quarter of Calendar Year 1999 when severance payments to eligible employees will end.

A copy of this report will be forwarded to the action official noted below for her review and any action deemed necessary. In this regard, subsequent to the completion of our audit field work, we were informed that Aetna and the Health Care Financing Administration have reached a tentative final settlement regarding the amount of reimbursement to be made to Aetna for termination and severance costs. Therefore, we did not issue a draft report and request your comments regarding the recommendations included in the report because they may have already been addressed.

To facilitate identification, please refer to Common Identification Number A-01-98-00509 in all correspondence relating to this report.

Sincerely yours,

William J. Hornby

William J. Hornby
Regional Inspector General
for Audit Services

Enclosures

Direct Reply to HHS Action Official:
Ms. Lynda Silva
Associate Regional Administrator
Division of Financial Management
Health Care Financing Administration
Room 2275, JFK Federal Building
Boston, Massachusetts 02203

EXECUTIVE SUMMARY

BACKGROUND

The Health Care Financing Administration (HCFA) administers the Medicare program by contracting with private organizations to process and pay claims for services provided to eligible beneficiaries. The HCFA has contracted with Aetna Life Insurance Company (Aetna) for a number of years to process both Part A and Part B claims submitted by hospitals, physicians, and other medical suppliers in various states throughout the country. However, in accordance with the Medicare contract, Aetna informed HCFA on June 21, 1996, that it did not intend to renew its Medicare contracts. As part of Aetna's termination from the program, Aetna and HCFA agreed to a 12-month transition period through September 30, 1997 to allow for a smooth and orderly transfer of responsibilities to new contractors.

The HCFA agreed to reimburse Aetna for reasonable and allocable termination costs incurred in transferring responsibilities to other contractors and severance costs allocable in accordance with Federal regulations and paid in accordance with Aetna's severance benefits plan. Aetna's budgeted estimates for the contract termination were $5,688,100 for termination costs and $31,867,392 for severance costs.

OBJECTIVE

The purpose of our review was to determine if the contract termination costs claimed by Aetna for termination and severance costs represented allowable, allocable, and reasonable costs under the provisions of applicable Federal regulations, the Medicare agreement and contract, and other HCFA instructions. Our review of these costs was limited to Aetna's claims through April 1998. Aetna will continue to claim these costs through approximately the fourth quarter of Calendar Year (CY) 1999 when severance payments to eligible employees will end.

RESULTS OF REVIEW

For the period through April 1998, Aetna claimed total contract termination costs of $26,951,699 ($2,122,757 for termination costs and $24,828,942 for severance costs). Based on our review of these costs, we have determined that $1,768,433 were either unallowable costs per Medicare program regulations or represent cost savings to the Medicare program. The unallowable costs include $807,092 related to severance costs and $219,429 related to termination costs. The cost savings include $523,720 related to an error in the initial voucher submission for overstated fringe benefits and payroll taxes associated with severance payments and $218,192 from future severance payment requests if Aetna is reimbursed on the basis of an employee's Medicare service time only. With regard to the former, Aetna corrected the overstatement by submitting a revised voucher. Subsequent to the completion of our audit field work, we were informed that Aetna and HCFA have reached a tentative final settlement with regard to the amount to be reimbursed to Aetna for termination and severance costs. Therefore, the recommendations included in this report may have already been addressed. Details regarding our recommendations are summarized in the following paragraphs.

- Aetna claimed severance costs for employees based on their total years of work at Aetna. This included years worked for Medicare and in Aetna's private lines of business. Federal regulations require that costs charged to Medicare be allocable. We believe that severance costs should be based only on Medicare years of service at Aetna. We recommend disallowance of $768,794. We also estimate that, based on our recommendation, additional savings of $218,192 will accrue to Medicare for all future severance claims (See Page 3).

- Aetna claimed reimbursement for costs related to employee assistance and employee work/family strategies programs. The claims were estimated costs per employee based on prior year experience. The HCFA stated that it will reimburse Aetna only for actual services utilized by severed employees. We recommend that the estimated costs of $38,298 be disallowed (See Page 5).

- Aetna's initial voucher submission for severance costs included overstated claims for fringe benefits and payroll taxes. It was determined that the salary base used to compute these costs was inflated by the inclusion of salary costs not related to severance payments. The costs were overstated by $523,720. Aetna recognized this error and revised their voucher and eliminated these costs from the claim. Based on Aetna's actions to correct this error, we have no further recommendation (See Page 5).

- Aetna claimed unallowable lease termination costs for certain Medicare field offices. These costs represent rental and lease termination penalty costs that were applicable to periods after September 30, 1997, the date Aetna's Medicare contract terminated. According to the Medicare contracts, costs incurred after the effective date of the non-renewal or termination of the contract are not allowable. We recommend disallowance of the $197,333 (See Page 6).

- Aetna's termination costs included a duplicate claim for the remaining book value of assets still on Medicare books as of the closing of the Honolulu Part B Medicare field office. We found that these costs were also claimed for reimbursement in Aetna's Fiscal Year 1997 Final Administrative Cost Proposal. As a result, we recommend disallowance of the $22,096 in duplicate costs claimed (See Page 7).

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INTRODUCTION

BACKGROUND

Title XVIII of the Social Security Act established the Health Insurance for the Aged and Disabled (Medicare) program. This program has two distinct parts. Part A of the program is the hospital insurance program and provides coverage related to the cost of inpatient hospital care, post-hospital extended care and post-hospital home health care. Part B of the program is a voluntary medical insurance program and provides protection against the cost of physician services, hospital outpatient services, home health care and other health services.

The HCFA administers the Medicare program by contracting with private organizations to process and pay claims for services provided to eligible beneficiaries. Contractors administering the Part A provisions of the program are known as intermediaries and those administering the Part B provisions are known as carriers.

The HCFA has contracted with Aetna to process both Part A and B claims in various states throughout the country. However, in accordance with provisions in the Medicare contracts, Aetna informed HCFA on June 21, 1996, that it did not intend to renew its contracts (Medicare Fiscal Intermediary Agreement Number 87-300-1 and Medicare Carrier Contract Number 87-300-2). Aetna and HCFA agreed to a 12-month transition period from October 1, 1996 through September 30, 1997 during which Aetna continued as a Medicare contractor. This was to allow a smooth and orderly transfer of responsibilities to new contractors.

Under the termination agreement, HCFA agreed to reimburse Aetna, as the intermediary and carrier, for reasonable and allocable termination costs which Aetna incurred in transferring its responsibilities to other contractors in accordance with FAR 31.205-42 and provisions of the contracts, and for all severance costs which are allocable to the agreement in accordance with FAR 31.205-6(g) and Aetna's established severance benefits plan. Aetna also received other specific limitation instructions on allowable termination costs from HCFA.

Aetna's budgeted estimates for the contract termination were $5,688,100 for termination costs and $31,867,392 for severance costs. Aetna is being reimbursed for these costs by submitting periodic vouchers to HCFA for costs incurred in the termination process. Aetna will be submitting the vouchers until approximately the fourth quarter of CY 1999 when the severance payments for the last employees will end. Our review was limited to claims made by Aetna through April 30, 1998, which included $2,122,757 for termination costs and $24,828,942 for severance costs.

OBJECTIVE

The purpose of our review was to determine if the costs claimed by Aetna for termination and severance costs related to the Medicare contracts represented allowable, allocable, and reasonable costs under the provisions of the FARs and under the intermediary agreement and the carrier contract and in accordance with the Medicare contract and other HCFA instructions.

SCOPE OF AUDIT

The audit was conducted in accordance with generally accepted government auditing standards. In performing our review, we examined the termination and severance costs claimed by Aetna and performed such tests of the accounting records and other auditing procedures to the extent that we considered necessary to determine if the amounts claimed were in accordance with applicable Federal requirements, policies, program instructions, and company policies. Specifically, we:

- performed detail audit tests of various cost categories claimed for reimbursement as terminations expenses; and

- reviewed the personnel files for selected Aetna terminated employees to determine their eligibility for severance payments and tested the accuracy of Aetna's calculation of the amount of severance awarded to the employees.

As noted above, Aetna will be submitting periodic vouchers until about the fourth quarter of CY 1999. However, for audit purposes, our review was limited to costs submitted through April 1998. These costs included $2,122,757 for termination costs and $24,828,942 for severance costs.

This audit was performed in conjunction with the Office of Inspector General (OIG), Office of Audit Services (OAS) audit of the Medicare Final Administrative Cost Proposals (FACP) submitted by Aetna for the period October 1, 1995 through September 30, 1997 (CIN A-01-97-00529). Certain information obtained and reviewed during that audit was also used in performing this review.

Our findings on the evaluation of the items tested during our audit are included in the Findings and Recommendations section of this report. Our field work was performed at the Medicare offices in Middletown, Connecticut and Aetna's corporate offices in Hartford, Connecticut during the period November 1997 through June 1998.

We did not request comments from Aetna regarding the issues included in this report because we were informed that Aetna and HCFA have already negotiated a settlement of the amount of termination and severance costs to be reimbursed to Aetna. As a result, the recommendations included in this report may have already been addressed.

FINDINGS AND RECOMMENDATIONS

For the period through April 1998; Aetna claimed total contract termination costs of $26,951,699 ($2,122,757 for termination costs and $24,828,942 for severance costs). Based on our review of these costs we have determined that Aetna claimed unallowable costs as follows: $807,092 related to severance costs and $219,429 related to termination costs. In addition, we have identified cost savings of $741,912 as follows: $523,720 related to an error in the initial voucher submission for overstated fringe benefits and payroll taxes associated with severance payments and $218,192 from future severance payment requests if Aetna is reimbursed on the basis of an employee's Medicare service time only. Regarding the former, Aetna corrected the overstatement by submitting a revised voucher. Subsequent to the completion of our audit field work, we were informed that Aetna and HCFA have reached a tentative final settlement with regard to the amount to be reimbursed to Aetna for termination and severance costs. Therefore, the recommendations included in this report may have already been addressed. Details regarding our recommended disallowances are provided in the following paragraphs.

SEVERANCE COSTS

Through April 1998, Aetna submitted requests for reimbursement of employee severance costs in the amount of $24,828,942. We found that Aetna's claim for severance reimbursement for all employees was based on the total years of an employee's service with Aetna. However, we noted that some of these employees had worked for Aetna's private lines of business as well as Medicare and, therefore, their severance was based on a combination of Medicare and non-Medicare years of service. We believe that this provides an inequitable allocation of costs to Medicare. As a result, we determined that severance costs claimed by Aetna were overstated by $768,794.

Regarding allocability of costs to the Federal government, FAR 31.201- 4 states that:

> "...A cost is allocable if it is assignable or chargeable to one or more cost objectives on the basis of relative benefits received or other equitable relationship. Subject to the foregoing, a cost is allocable to a Government contract if it--
>
> (a) Is incurred specifically for the contract;
>
> (b) Benefits both the contract and other work, and can be distributed to them in reasonable proportion to the benefits received..."

In addition to the above criteria, HCFA instructed Aetna in letters on June 30, 1997 and on August 15, 1997 to allocate severance costs based on Medicare and non-Medicare years of service. The HCFA indicated that the government will not reimburse Aetna for non-Medicare years of service.

Aetna officials disagreed with this, stating Aetna's company policy is to charge the employee's full severance costs to the line of business where the employee last worked at Aetna. However, based on the criteria cited above, we believe that the severance cost charged to Medicare should be based on only those years that the employee worked in Aetna's Medicare line of business. The remainder of the employees severance should be charged to Aetna's private lines of business, as appropriate. Based on this, we determined that Aetna overstated the claim for severance costs by $768,794 as follows:

Voucher Period Through	Aetna's Severance Claim	Pro-rated Medicare Share of Severance	Overstated Severance
10/97	$13,968,042	$13,845,001	$123,041
11/97	$2,606,617	$2,510,401	$96,216
12/97	$2,051,819	$1,951,582	$100,237
1/98	$1,802,833	$1,691,118	$111,715
2/98	$1,723,535	$1,609,682	$113,853
3/98	$1,413,293	$1,300,512	$112,781
4/98	$1,262,803	$1,151,852	$110,951
Total	**$24,828,942**	**$24,060,148**	**$768,794**

Aetna contends that they will continue to claim full severance costs for these employees in future severance voucher claims. As a result, we estimate that future vouchers for reimbursement of employee severance costs will be overstated by an additional $218,192 through the end of the severance payment process, approximately in the fourth quarter of CY 1999.

Recommendation

We recommend disallowance of Aetna's claim for reimbursement of $768,794 for severance costs through April 1998. In addition, we recommend Aetna submit future severance reimbursement voucher requests based only on Medicare years of service. Based on this recommendation, we estimate that future employee severance reimbursement requests will be decreased by $218,192.

MISCELLANEOUS UNALLOWABLE SEVERANCE COSTS

In Aetna's initial vouchers for reimbursement of severance costs through October 1997, claims for reimbursement of employee assistance program costs and employee work/families strategies costs were made in the amounts of $16,844 and $21,454, respectively. Aetna based these costs on information received from corporate payroll which represents estimated costs per employee for such services. The estimates were based on prior year costs of these services.

The HCFA indicated that they will reimburse Aetna for the costs of these services only if these services were utilized by severed employees. We agree with HCFA's interpretation on this issue and noted that FAR, Part 31.201-3 states that:

> "A cost is reasonable if...it does not exceed that which would be incurred by a prudent person in the conduct of competitive business..."

We believe that under the prudent person concept, in order to be an allowable cost for reimbursement, these costs must represent actual incurred expenses not estimates. As a result, we believe that Aetna's reimbursement voucher requests submitted for the period through October 31, 1997 are overstated by $38,298. Aetna discontinued to claim these costs after October 1997.

Recommendation

We recommend the $16,844 for employee assistance program costs and the $21,454 for employee work/family strategies program costs be disallowed.

OVERSTATED FRINGE BENEFIT AND PAYROLL TAX COSTS

During our analysis of Aetna's initial request for reimbursement for employee severance costs through October 1997, it was determined that a problem existed with the calculation and claim for reimbursement for fringe benefits and payroll taxes. In this regard, it was found that the salary base used to calculate these costs was inflated, resulting in an overstatement of $523,720 in the claim for fringe benefit and payroll tax costs. Aetna Medicare personnel took action to correct the overstatement and submitted a revised voucher which properly calculated the fringe benefit and payroll tax amounts.

Aetna Medicare personnel indicated that the amounts for fringe benefits and payroll taxes were determined by Aetna corporate payroll and provided to Medicare for inclusion in the severance voucher. They indicated that it was assumed that the amounts were correct and did not test the calculations. However, it was found that the salary base used to calculate these costs included salaries related to retention bonuses that were paid to Medicare employees as an incentive to remain with Medicare until the termination of the contract. The fringe benefits and payroll taxes costs should have been based on only the salary portion of the severance costs.

According to FAR, Part 31, allowable costs charged to Medicare must be allocable. In this regard, FAR, Part 31.201-4 states:

> "A cost is allocable if it is assignable or chargeable to one or more cost objectives on the basis of relative benefits received or other equitable relationship..."

The costs in question are not related to the severance salary payments and, therefore, are not allocable to severance costs. Aetna Medicare personnel determined that because of this situation, the fringe benefit and payroll tax calculations for the severance voucher were overstated by $523,720. They took immediate action to correct this situation and recalculated these costs based on the correct severance payment amounts. On March 30, 1998, Aetna resubmitted a corrected severance reimbursement voucher for the period through October 31, 1997. We determined that the calculation of the revised fringe benefits and payroll taxes was based on appropriate severance payment amounts.

Recommendation

Based on Aetna's resubmission of their initial voucher for severance reimbursement which reduced the amount claimed for fringe benefits and payroll taxes by $523,720, we have no further recommendation.

LEASE TERMINATION COSTS

Aetna claimed $197,333 for lease termination costs that are not allowable for Medicare reimbursement. These costs represent rental and lease termination costs related to certain Medicare field offices that were applicable to periods after September 30, 1997, the date that Aetna's Medicare contract terminated. Article III of Appendix A of the intermediary agreements and carrier contracts (Automatic Termination of Subtract Clause) provides that, if the Medicare contract between HCFA and Aetna is terminated or not renewed, then subcontracts between Aetna and its subcontractors will be terminated unless HCFA and Aetna agree to the contrary. Costs incurred after the effective date of the non-renewal or termination are not allowable.

We found that Aetna continued to claim reimbursement for rental costs and for lease termination penalties for four field offices after September 30, 1997. Aetna officials indicated that these offices had lease agreements that did not terminate until sometime after the Medicare contract termination date. They indicated that the landlords would not allow them to either terminate the leases for these field offices prior to the actual termination date or that Aetna would be assessed penalties in order to terminate the leases prior to the agreed termination dates. The following summarizes the circumstances for each of these field offices:

- Peoria - Aetna paid a termination penalty of $5,463 to the landlord to reduce the term of the lease. This penalty was to cover the remaining lease obligation period of October 1997 through December 1997.

- Fort Washington - Aetna paid $78,183 for office and storage space for the period October 1997 through December 1997, the remaining months of the lease agreement.

- Lynnwood - Aetna paid $40,562 for additional lease payments ($31,717) for the remaining period of the lease, October 1997 through April 1998, and an additional termination penalty ($8,845) to allow for the early lease termination.

- Phoenix - Aetna paid $73,125 which represents a termination penalty of $8,125 per month for the remaining period of the lease, October 1997 through June 1998.

As of September 1997, each of these field offices was closed and all Medicare personnel assigned to these offices had been terminated. Because the costs are related to periods after Aetna's official termination date of the Medicare contract, September 30, 1997, we believe that the costs are not allowable for reimbursement.

Recommendation

We recommend that these rental and early termination penalty costs of $197,333 be disallowed.

DUPLICATE BILLING OF NET BOOK VALUE OF ASSETS

Aetna's termination costs included costs related to the remaining book value of assets still on Medicare books as of the closing dates of the various Medicare field offices. This represents the costs related to assets that were not sold or otherwise disposed of at the time of the offices' closing. During our related audit of Aetna's FACP through September 30, 1997 (CIN A-01-97-00529), we noted that certain of these costs were inadvertently claimed as part of ongoing Medicare expenses in the Fiscal Year (FY) 1997 FACP. Aetna brought this situation to HCFA's attention, but because of the effort needed to revise the FACPs and the fact that the costs were reimbursable expenses under the Medicare program, it was decided that Aetna could leave the costs in the FACPs. We reviewed these costs to determine their allowability and also to ensure that costs included in the FACPs were not duplicated in the termination vouchers.

During our review of these costs and additional claims for such costs made in the termination vouchers, we found that $22,096 represented a duplicate claim for net book value costs. In this regard, the termination voucher for August 1997 included net book value of assets related to Aetna's Honolulu Part B office that were previously included as ongoing expenses in the FY 1997 FACP. Aetna officials agreed that this should not have been claimed in the termination vouchers and indicated that this amount would be credited in the May 1998 termination voucher.

In order to be allowable costs FAR, Part 31.201-3, states that costs must be reasonable. Factors effecting reasonability of costs include:

> "(2) Generally accepted sound business practices..."

We believe that claiming duplicate costs does not constitute sound business practices and, therefore, these costs are not allowable for reimbursement.

Recommendation

We recommend that the $22,096 in duplicate costs claimed for the net book value of asset be disallowed for reimbursement. Aetna officials indicated that this was to be credited in May 1998 voucher for termination costs. Therefore, HCFA should ensure that this amount is properly credited.

APPENDICES

APPENDIX A

AETNA LIFE INSURANCE COMPANY
MEDICARE SEVERANCE COSTS CLAIMED AND
OIG/OAS RECOMMENDATIONS

Cost Category	Amount Claimed	OIG/OAS Amounts Recommended For Acceptance	OIG/OAS Amounts Recommended For Disallowance
Severance Costs			
Salaries	$21,062,985	$20,409,510	$653,475
Payroll Taxes	1,493,996	1,447,868	46,128
Fringe Benefits	2,233,663	2,164,472	69,191
Sub Total	**$24,790,644**	**$24,021,850**	**$768,794**
Miscellaneous Severance Costs			
Employee Assistance Program Costs	16,844	-0-	16,844
Employee Work/Family Strategies Costs	21,454	-0-	21,454
Sub Total	**$ 38,298**	**-0-**	**$ 38,298**
Total Cost	**$24,828,942**	**$24,021,850**	**$807,092**

APPENDIX B

AETNA LIFE INSURANCE COMPANY
MEDICARE TERMINATION COSTS CLAIMED AND OIG/OAS RECOMMENDATIONS

Cost Category	Amount Claimed	OIG/OAS Amounts Recommended For Acceptance	OIG/OAS Amounts Recommended For Disallowance
Personal Services			
Salaries	$803,802	$803,802	
Fringe Benefits	193,025	193,025	
Total Personal Services	$996,827	$996,827	-0-
Other Costs			
Rent	907,934	710,601	197,333
Equipment R&M EDP	1,869	1,869	
Local Telephone	9,847	9,847	
Long Distance	32,222	32,222	
Postage & Express	10,059	10,059	
Equipment R&M Other	15,245	15,245	
Expensed Equipment	(24,629)	(24,629)	
Materials & Supplies	112,816	112,816	
Travel & Entertainment	9,455	9,455	
Miscellaneous	554,717	554,717	
Corporate Support	315,347	315,347	
Net Book Value	(818,949)	(841,045)	22,096
Total Other Costs	$1,125,933	$906,504	$219,429
Total Cost	**$2,122,760**	**$1,903,331**	**$219,429**

APPENDIX C

AETNA LIFE INSURANCE COMPANY
SUMMARY OF OIG/OAS RECOMMENDED DISALLOWANCES

Description of Findings	OIG/OAS Recommended Disallowances	Allocation of Recommended Disallowances Part A	Part B
Severance Costs	$ 768,794	$ 388,087*	$ 380,707*
Miscellaneous Severance Costs	38,298	19,333*	18,965*
Lease Termination Costs	197,333	124,208	73,125
Duplicate Billing of Net Book Value of Assets	22,096	______	22,096
Total Recommended Financial Adjustment	**$1,026,521**	**$531,628**	**$494,893**

* Allocation to Parts A and B based on budgetary amounts submitted to HCFA.

APPENDIX D

AETNA LIFE INSURANCE COMPANY
SUMMARY OF OIG/OAS COST SAVINGS

Cost Category	OIG/OAS Identified Cost Savings	Allocation of Cost Savings Part A *	Part B *
Overstated Fringe Benefits	$ 523,720	$ 264,374	$ 259,346
Overstated Severance Payments	218,192	110,143	108,049
Total Cost Savings	$ 741,912	$ 374,517	$ 367,395

* Allocation to Parts A and B based on budgetary amounts submitted to HCFA.