

Leading the Way as the Premier Administrator of Government Healthcare Programs



CGS®

A CELERIAN GROUP COMPANY

Annual Report 2015

LETTER FROM THE PRESIDENT



In closing my 2014 Annual Report President's letter, I stated that "our spirit of continuous improvement would drive us to the best year yet in 2015" - and that is exactly what happened. The year was highlighted by our re-award of the Jurisdiction 15 (J15) A/B MAC contract as well as our award of the Jurisdiction B (JB) Durable Medical Equipment (DME) MAC contract. The re-win of J15 was critical to our continued success as a company, and the JB win put us in the unique position of serving 60% of the country for Medicare DME through Jurisdiction C (JC) and JB. These two accomplishments, as well as the outstanding year we had with our other contracts, represent the best year yet for CGS. We now stand alone as the only Medicare contractor currently serving all four Medicare business segments - DME, Part A, Part B, and Home Health & Hospice.

Our 2015 accomplishments were the culmination of many years of dedicated service from more than 1,000 CGS employees who take pride in their work and are committed to making a positive IMPACT on the lives of our stakeholders. These stakeholders include The Centers for Medicare & Medicaid Services (CMS); Medicare beneficiaries, providers, and suppliers; the Veterans Administration, and our nation's veterans; our coworkers; and all the other customers and partners we interact with on a daily basis. The desire to positively impact these stakeholders is what fuels our passion for excellence and ultimately produces the exceptional outcomes we experienced in 2015.

In 2016, as we celebrate 50 years of service with the Medicare program, we are on the right path to achieve our vision of being the premier administrator of government healthcare programs. This year, we will build on the momentum generated in 2015 to ensure continued growth in the years to come.

Thank you to all of the employees of CGS who made 2015 the best year yet for CGS and are committed to following through with this success in 2016 and beyond.

Warmest Regards,

A handwritten signature in black ink that reads "Steven B. Smith". The signature is fluid and cursive, with a large, stylized "S" and "B".

Steven B. Smith
President and Chief Operating Officer

LOCATIONS

Headquartered in Nashville, Tennessee, with offices in Illinois, South Carolina, and Texas, CGS's more than 1,000 experienced employees provide services including healthcare claims processing and payment, customer service, provider credentialing, enrollment and education, medical necessity, pre- and post-payment review, as well as improving quality through systems and process enhancements.



SPRINGFIELD, IL



COLUMBIA, SC



DALLAS, TX



NASHVILLE, TN

WHO WE ARE

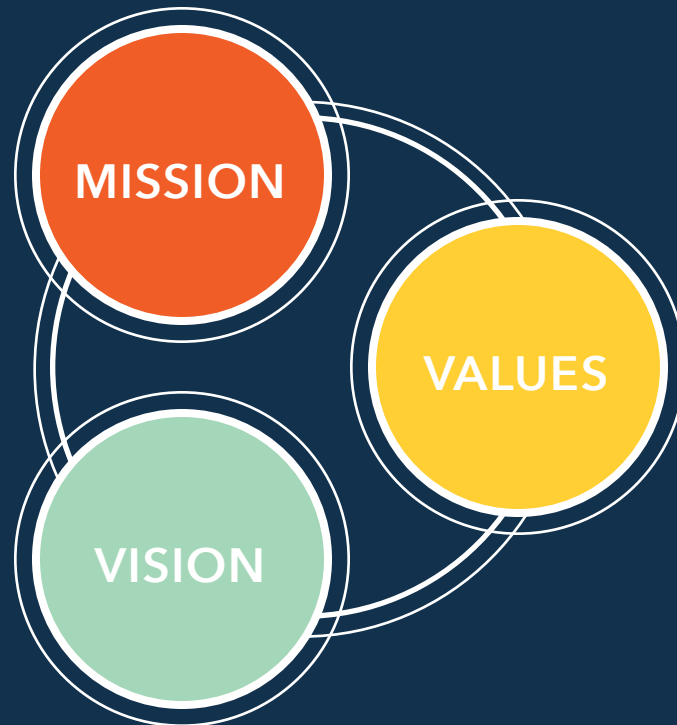
CGS is the Jurisdiction B and C DME MAC providing claims payment and services for the states and territories of Alabama, Arkansas, Colorado, Florida, Georgia, Illinois, Indiana, Kentucky, Louisiana, Michigan, Minnesota, Mississippi, New Mexico, North Carolina, Ohio, Oklahoma, Puerto Rico, South Carolina, Tennessee, Texas, U.S. Virgin Islands, Virginia, West Virginia, and Wisconsin.

CGS is also the Jurisdiction 15 A/B MAC providing claims payment and services for Medicare Part A and Part B for the states of Kentucky and Ohio and Home Health & Hospice services for the states of Colorado, Delaware, D.C., Iowa, Kansas, Maryland, Missouri, Montana, Nebraska, North Dakota, South Dakota, Pennsylvania, Utah, Virginia, West Virginia, and Wyoming.

In addition, CGS provides a full suite of support services for the Medicare program, as well as call center services for a broad range of stakeholders, providing customers with flexibility in supporting healthcare programs while reducing overall program costs.

Mission

We IMPACT Lives!



Vision

To IMPACT the future of our communities and nation by being the premier administrator of government healthcare programs.



We are ethical, responsible, honest, and reliable. We promote an environment of openness and trust.



We are empowered to make change for the better in our business, our communities, and our lives. We inspire each other.



Our goal is to be the best at all we do. We are optimistic and expect to succeed.



We continuously improve and we never stop learning.



Our customer is our priority. We understand our customer's needs and surpass expectations.



We are courageous and embrace change. We see challenges as opportunities.

1966

THE BEGINNING: The first Title XVIII contracts began. CGS's original Part B contract included DME and covered three states (TN, NC, and ID). By FY 2009, the contract serviced over 60,000 Medicare providers, processing 59 million claims, handling over two million inquiries, and making benefit payments of \$4.6 billion.

2007

**JURISDICTION C
DME MAC**

CGS serves approximately 46,000 DME suppliers in 17 states and territories (AL, AR, CO, FL, GA, KS, LA, MS, NC, NM, OK, PR, SC, TN, TX, VA, and WV) and processes 25 million claims per year, totaling over \$3 billion in annual payments.

2010

**JURISDICTION 15
A/B MAC**

CGS serves approximately 51,000 Part A and Part B providers in Ohio and Kentucky and processes 58 million Part A and Part B claims per year. Under this contract, we also serve nearly 3,000 Home Health & Hospice providers.

2012

**JURISDICTION C
DME MAC RE-WIN**

CGS re-won its Jurisdiction C contract on September 1, 2012. This re-win was clear validation that CGS's past performance and value proposition detailed in its technical proposal afforded CMS the best value.

2013

**BUSINESS
OPERATIONS
SUPPORT CENTER
(BOSC)**

In June 2013, CGS secured the bid for the BOSC contract, enabling upwards of 15 additional programs and hundreds of customer service options for our growing provider database.

2014

**VETERANS
ADMINISTRATION
(VA) CHOICE**

The VA Choice program allows eligible veterans to seek medical care outside of the VA. CGS staffs approximately 100 VA customer service representatives in our Nashville, TN office.

2015

**JURISDICTION B
DME MAC**

On September 7, 2015, CGS was awarded the Jurisdiction B DME MAC contract. In July 2016, CGS will begin serving approximately 18,000 DME suppliers in seven states (KY, IL, IN, MI, MN, OH, and WI).

2015

**JURISDICTION 15
A/B MAC RE-WIN**

CGS celebrated the re-win of its Jurisdiction 15 contract on September 21, 2015. CGS's relentless pursuit of service excellence constantly built a strong performance resume with a suite of innovations that carried the day.

THE
PAST TO
THE PRESENT



Kenyon Floyd, John Kimball, Kay Elizer, Neal Mackey, Melissa Hargrove,
Tracy Tatum, Melissa Lamb, Craig Domanik, and Mike Logan

JURISDICTION 15 A/B MAC WIN

With the J15 contract set to expire in November, 2015 was a milestone year for CGS. A great deal of attention was focused on retaining this key contract due to the heated competition for this business. In September, after months of intense work, we received the much-anticipated news that we had won the rebid and would retain the J15 workload. This win serves as a validation of our past performance and our ability to meet and exceed our customers' expectations. "This truly was a team effort," said Melissa Lamb, J15 program manager. "We re-evaluated everything we had been doing from the ground up. It was a little intimidating at first, but once we started to identify our main areas of focus, things really started to come together."

Securing the right to continue as the J15 A/B MAC was a great accomplishment, requiring contributions from every department within the organization. Continuous improvement was key to the proposal. It was important to demonstrate that we could innovate, and that we could improve upon past results rather than rest on our successes. "Everyone was working together and every idea was welcome – it was an exciting time," Lamb said of the process. "These fresh ideas became part of the official proposal, which was then presented to CMS by a team of our J15 directors and managers."

Since the September announcement, the J15 team and CGS support departments have continued to work diligently on implementing the innovations that were part of the winning proposal. "News of the win was incredibly rewarding," Lamb said. "I am very proud of the contributions from every member of our J15 team. This win enables us to positively IMPACT the lives of our customers for another five years!"

I am very proud of the contributions from every member of our J15 team.

Melissa Lamb, AVP, Medicare Operations, Jurisdiction 15 A/B MAC Program Manager



Ric Bush, Roc Via, Melissa Hargrove, and John Kimball

DME MAC JURISDICTION B WIN

A long-held goal of CGS has been to provide world-class customer service while making a positive difference in the lives of Medicare stakeholders. Our selection by CMS in September 2015 as the Jurisdiction B DME MAC contractor allows us to further achieve this goal by bringing the best value to the DME Medicare stakeholders located in Kentucky, Illinois, Indiana, Michigan, Minnesota, Ohio, and Wisconsin.

This five-year contract award of \$77 million is important in growing and diversifying our revenue base. Additionally, because we are the A/B MAC contractor for two of these states (Ohio and Kentucky), and the DME MAC contractor for Jurisdiction C, we will be able to add value to multiple contracts by combining resources where services overlap.

CGS will be implementing the contract through the first half of 2016, with a "go live" of July 2016. CGS will be adding approximately 150 staff to handle the work, and we will leverage our decades of DME MAC experience in Jurisdiction C to form a solid and collaborative strategy for carrying out all areas of the statement of work.

This contract win is a tremendous success for CGS and the culmination of superior work across the organization. Most importantly, this win solidifies CGS's long-term position as a trusted and well-respected Medicare administrative contractor.

This win allows CGS to offer additional value to the Medicare program.

Roc Via, Jurisdiction B DME MAC Program Manager



Kyle Dedman, Q.Joseph Kent, Matt Zarth, and David Holt

VETERANS ADMINISTRATION (VA) CHOICE AWARD

In July 2015, CGS began taking inbound calls from veterans under an agreement with PGBA, LLC on the VA Choice program. This program is an enhancement to veterans' benefits, allowing veterans to receive healthcare outside of the VA. In 2014, the Veterans Access and Choice Accountability Act (VACAA) expanded the number of options veterans have for receiving services in an effort to deliver timely access to high-quality care.

The VA Choice program provides primary care, inpatient and outpatient specialty care, and mental healthcare for eligible veterans when the local U.S. Department of Veterans Affairs (VA) healthcare facility cannot provide the services due to lack of available specialists, long wait times for an appointment, or an extraordinary distance from the veteran's home to the provider's facility.

CGS started with 50 agents to staff the VA Choice inbound call center, where our role is to answer inbound calls from veterans who are trying to verify eligibility to schedule an appointment outside of the VA. When we received the request to stand up the call center,

we were expected to become operational very quickly. Consequently, we had to onboard and train staff, as well as enlist many people across the organization, to ensure a successful program implementation. Within one month of receiving notification, we had successfully recruited 60 agents and set up the entire infrastructure to support VA Choice.

Due to our early success and our ability to meet our customer's expectations, in September we were asked to increase our staffing to 100 agents and begin making outbound calls to veterans. This tremendous growth in a short period demonstrates the dedication, commitment, and, most importantly, teamwork that runs through all departments within our organization.

Since the inception of the program, CGS has answered over 350,000 calls and helped countless veterans receive the care they need and deserve. Our agents take tremendous pride in serving the veterans who have bravely served our country.

It is my responsibility to serve the veterans, because they served for me.

Brendon Clemmons, VA Choice Customer Service Representative

EMPLOYEE RECOGNITION

CGS established the CGS Wall of Fame to publicly acknowledge employees who have gone above and beyond the call of duty. Our annual winners have made an IMPACT at CGS!



ASSOCIATE OF THE YEAR

Jennifer Sellmer, DME Provider Contact Center (PCC)

In the day-to-day operations of the CGS call center, Jennifer plays an integral role by assisting with not only inbound telephone calls, but also by acting as a lead for the myCGS Web Portal calls. When escalated issues arise for myCGS, Jennifer effectively collaborates to involve all appropriate parties, including PCC management staff and the security administration team, to tackle the problem and find a timely resolution. Jennifer also completes callbacks on escalated myCGS issues, working directly with end-users to maximize their use of self-service tools. One example of her involvement and dedication to the success of myCGS is her success in getting a very high volume supplier access to the Web portal despite numerous failed attempts. Jennifer worked tirelessly with our internal tech team partners and the appropriate individuals within the supplier's organization to resolve the issue. Jennifer is always willing to do whatever is needed within and outside of her normal scope of responsibilities to help her teammates and the entire contact center succeed.



LEADER OF THE YEAR

Tracy Roll, Government Systems Information Technology (GSIT) Support

Tracy exemplifies "leading from the trenches." Throughout the many GSIT initiatives in which she is involved, Tracy invests an amazing amount of time and energy into developing and encouraging her teams, while at the same time making sure that all project goals and metrics are met. Her team embraces her management style — a style that looks for the best in each team member and employs effective techniques for bolstering employee engagement and productivity. Tracy is unafraid to dive in and tackle the work whenever and wherever she is needed.



COMPLIANCE IDOL OF THE YEAR

Sara Moulton, Finance

Sara consistently demonstrates integrity in her work. She handles the accounting and reporting for all temporary labor expense and ensures that time is entered correctly in the CGS and temporary agency timekeeping systems. She reconciles all temporary agency invoices against the time and expense records to ensure accurate billing and reporting to CMS. Because CGS currently has over 100 temporary employees, this requires a significant effort to ensure accuracy. Sara's efforts ensure CGS is in full compliance with its timekeeping policy.



TEAM OF THE YEAR

Heather Fisher, Sheila Pearson, Susan LaPorte, Houston Ballard, and Belinda Yandell, DME Analyze and Educate Suppliers on Policies (AESOP)

A successful collaboration between Medical Review and Provider Outreach and Education, the AESOP team targets education to suppliers with relatively high claim denial rates. The team, led by Marilyn Marshall and Pat Stephens, directs education toward reducing claim denials and errors, with a goal of recommending suppliers for edit exclusion once lower denial rates are reached. Since this initiative began, 30 suppliers have been added to the program. Each supplier is presented with an initial review of their claim denials, reasons for denials, and then given solutions to prevent denials. The team makes quarterly follow-up calls to coach suppliers until they have successfully lowered their denial rates. To date, the team has recommended seven suppliers for exclusion. The team's dedication to "Making a Difference" and keeping a "Customer Focus" demonstrates our mission to IMPACT lives.

VOLUNTEER EFFORTS

In 2015, CGS employees donated over **\$161,000** to numerous programs serving our communities!

From supporting local food banks to funding national charities with a global impact, CGS employees remain engaged in volunteering year-round. By volunteering time, money, work, and care, the over 1,000 members of the CGS family strive to "IMPACT Lives!" The same outstanding support CGS provides its customers shines in our charitable activities – whether helping in times of natural disasters or jumping in to make the holiday season a little brighter for families in need. The Nashville, Tennessee; Columbia, South Carolina; Dallas, Texas; and Springfield, Illinois offices and our work-at-home staff work together to provide relief for friends, neighbors, and thousands of citizens across the nation.





THE UNITED WAY
STEVE WHITE

The United Way provides many opportunities to support our local community, allowing us to see firsthand how we impact lives. In 2015, CGS participated in events by providing mothers with essential child care items and school supplies to over 8,000 children. By participating in United Way events, we see how our dollars are used to make a difference in peoples' lives.



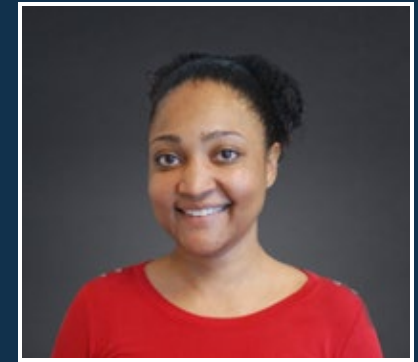
FIFTYFORWARD
JACKIE YARBROUGH

During 2015, CGS supported FiftyForward at several events. In May, CGS supplied vegetable plants for the Bordeaux location's spring garden. In June, CGS was a sponsor of the Hats Off to Bordeaux annual event and our staff joined by modeling some of the hats. In December, CGS surprised 25 low-income seniors with more than 100 gifts and gift certificates to help supplement their incomes. I am proud that CGS supports, and gives me the opportunity to serve, our local senior community.



MARCH OF DIMES
DAVID HOOKER

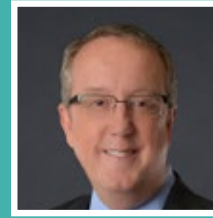
Every day, thousands of babies are born too soon, too small, and often very sick. By participating in the March for Babies, CGS donations help moms have healthy pregnancies, support families in the NICU, and fund research to fight premature birth and birth defects. I know that my donations, and my company's donations, go to a great cause, supporting parents going through difficult and often traumatic trials of having a child born prematurely, with birth defects, or both.



SECOND HARVEST
FOOD BANK
MARKIAL RIBBINS

Partnering with Second Harvest Food Bank not only brings awareness to the rising issue of hunger on a local level, but it allows us as an organization to come together by donating food and/or time to make a positive IMPACT on our community. It is gratifying to work alongside individuals who care about the needs of others. Second Harvest is committed to feeding hungry people and solving the issue of hunger in Middle Tennessee, and it feels awesome to know that we had a part in doing this.

EXECUTIVE LEADERSHIP TEAM

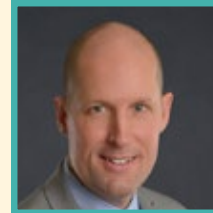


STEVE SMITH
PRESIDENT & COO

JIM DOANE
VP, BUSINESS DEVELOPMENT
& SHARED SERVICES



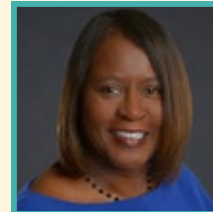
MIKE LOGAN
VP, CHIEF FINANCIAL OFFICER



JOHN KIMBALL
VP, MEDICARE OPERATIONS



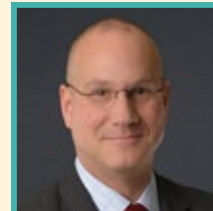
LINDA MARTIN
VP, COMPLIANCE OFFICER



MELISSA KIRCHENBAUER
AVP, MEDICARE OPERATIONS,
JURISDICTION C DME MAC
PROGRAM MANAGER



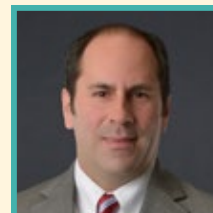
ROBERT STANSELL
VP, SYSTEMS & SUPPORT



MELISSA LAMB
AVP, MEDICARE OPERATIONS,
JURISDICTION 15 A/B MAC
PROGRAM MANAGER



ROC VIA
DIRECTOR, BUSINESS
EXCELLENCE



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of South Carolina



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Retired Partner, Arent Fox,
Former Chief Counsel to
the Inspector General at
the Department of Health
and Human Services

FINANCIAL INFORMATION

(BALANCE SHEET IN THOUSANDS)

YEARS ENDED DECEMBER 31	2015	2014
CURRENT ASSETS		
Cash and cash equivalents	\$ 19,301	\$ 19,817
Restricted cash	1,989	-
Government contract receivables	21,728	21,577
Other receivables	2,447	2,857
Amounts due from affiliate	978	-
Current deferred tax asset	452	509
Prepaid expenses	69	229
Total Current Assets	46,964	44,989
LONG TERM ASSETS		
Property and equipment, net of accumulated depreciation of \$12,464 and \$12,265 in 2015 and 2014, respectively	508	604
Non-current deferred tax asset	-	2
Total Long Term Assets	508	606
TOTAL ASSETS	\$ 47,472	\$ 45,595

YEARS ENDED DECEMBER 31	2015	2014
CURRENT LIABILITIES		
Accrued expenses and accounts payable	\$ 10,412	\$ 12,590
Restricted cash liability	1,989	-
Payable to parent	5,685	5,613
Amounts due to affiliate	489	484
Current deferred tax liability	24	30
Total Current Liabilities	18,599	18,717
NON- CURRENT LIABILITIES		
Non-current deferred tax liability	31	-
Total Non-Current Liabilities	31	-
TOTAL LIABILITIES	\$ 18,630	\$ 18,717
MEMBER'S EQUITY		
Additional paid-in capital	22,209	22,209
Retained earnings	6,633	4,669
Total Member's Equity	28,842	26,878
TOTAL LIABILITIES AND MEMBER'S EQUITY	\$ 47,472	\$ 45,595

86+

Million Claims

27+

Billion Dollars

51+

Thousand
Providers

64+

Thousand
DME Suppliers

INDEPENDENT AUDITORS' REPORT

Board of Directors
CGS Administrators, LLC

Report on the Financial Statements

We have audited the accompanying financial statements of CGS Administrators, LLC which are comprised of the balance sheets as of December 31, 2015 and 2014, and the related statements of operations, changes in member's equity, and cash flows for the years ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CGS Administrators, LLC at December 31, 2015 and 2014, and the results of its operations and its cash flows for the years ended in accordance with accounting principles generally accepted in the United States of America.

Derrick, Stubbs & Stith, LLP

February 29, 2016

COMPLIANCE

Compliance is not just a book of rules that sits on a shelf. CGS views compliance as a team sport and every employee is part of the team. By encouraging all employees to be members of our compliance team, our leaders have developed a culture of ethics that ensures our employees will do the right thing when confronted with challenges.

**At CGS, compliance is part
of our day-to-day processes.**

Our training is continuous and essential to program success. CGS employees have clearly defined expectations and reporting requirements for raising compliance concerns, and compliance is alive in routine dialogue between management and staff.

Our strong compliance program is an invaluable component of our continued success, and as CGS continues to evolve as the premier administrator of government healthcare programs, our compliance program will also evolve to support our work.

We **I** **M** **P** **A** **C** **T** *Lives*

INTEGRITY
MAKING A
DIFFERENCE
PASSION FOR
EXCELLENCE
ALWAYS
IMPROVING
CUSTOMER
FOCUSED
TAKING
RISKS



CGS[®]

A CELERIAN GROUP COMPANY