HHS Office of Inspector General

REPORT HIGHLIGHTS

August 2025 | OAS-25-07-026

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

What OIG Found

- BCBS South Carolina implemented our prior audit recommendation to decrease the Excess Plan Partial Medicare segment pension assets by $2.8 million as of January 1, 2017.
- BCBS South Carolina did not correctly update its Excess Plan Partial Medicare segment pension assets from January 1, 2017, to January 1, 2022, in accordance with Federal requirements. BCBS South Carolina identified $11 million as its Excess Plan Partial Medicare segment pension assets as of January 1, 2022; however, we determined that those assets were $8.2 million as of that date. Therefore, BCBS South Carolina overstated its Excess Plan Partial Medicare segment pension assets as of January 1, 2022, by $2.8 million.
- BCBS South Carolina's policies and procedures did not always ensure that it calculated those pension assets in accordance with Federal requirements when updating its Excess Plan Partial Medicare segment pension assets from January 1, 2017, to January 1, 2022.

What OIG Recommends

We recommend that BCBS South Carolina decrease its Excess Plan Partial Medicare segment pension assets by $2.8 million and recognize $8.2 million as the Excess Plan Partial Medicare segment pension assets as of January 1, 2022, and improve policies and procedures to ensure that going forward, it calculates Excess Plan Partial Medicare segment pension assets in accordance with Federal requirements.

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