REPORT HIGHLIGHTS

August 2025 | A-07-24-00647

Blue Cross Blue Shield of South Carolina Overstated Its Supplemental Executive Retirement Plan III Medicare Allowable 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 when (1) implementing the prior audit recommendation to decrease the Supplemental Executive Retirement Plan III (SERP III) Medicare Allowable segment assets as of January 1, 2017, and (2) updating its SERP III Medicare Allowable segment pension assets from January 1, 2017, to January 1, 2022.

What OIG Found

- BCBS South Carolina did not correctly implement our prior recommendation.
- BCBS South Carolina did not correctly update its SERP III Medicare Allowable segment pension assets from January 1, 2017, to January 1, 2022, in accordance with Federal requirements. BCBS South Carolina identified $1,072,831 as its SERP III Medicare Allowable segment pension assets as of January 1, 2022; however, we determined that those assets were $1,059,400 as of that date. Therefore, BCBS South Carolina overstated the SERP III Medicare Allocable segment pension assets by $13,431.
- 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 SERP III Medicare Allowable segment pension assets from January 1, 2017, to January 1, 2022.

What OIG Recommends

We recommend that BCBS South Carolina decrease its SERP III Medicare Allowable segment pension assets by $13,431 and recognize $1,059,400 as the SERP III Medicare Allowable segment pension assets as of January 1, 2022, and improve policies and procedures to ensure that going forward, it calculates Medicare Allowable segment pension assets in accordance with Federal requirements.

BSBC South Carolina did not specifically indicate concurrence or nonconcurrence with our findings or recommendations. BCBS South Carolina said that it would work with CMS to ensure that the final cost settlements are accurate.