

Report in Brief

Date: May 2021

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



Why OIG Did This Audit

Medicare contractors are required to separately account for 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 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.

Our objective was to determine whether Blue Cross Blue Shield of South Carolina (BCBS South Carolina) complied with Federal requirements and its established cost accounting practice when updating its Excess Plan Partial Medicare segment pension assets from January 1, 2015, to January 1, 2017.

How OIG Did This Audit

We reviewed BCBS South Carolina's identification of its Excess Plan Partial Medicare segment and its update of the Excess Plan Partial Medicare segment pension assets from January 1, 2015, to January 1, 2017.

Blue Cross Blue Shield of South Carolina Overstated Its Excess Plan Partial Medicare Segment Pension Assets as of January 1, 2017

What OIG Found

BCBS South Carolina did not correctly update its Excess Plan Partial Medicare segment pension assets from January 1, 2015, to January 1, 2017, in accordance with Federal requirements. BCBS South Carolina identified \$2.79 million as its Excess Plan Partial Medicare segment pension assets as of January 1, 2017; however, we determined that those assets were a negative \$10,750 as of that date. Therefore, BCBS South Carolina overstated its Excess Plan Partial Medicare segment pension assets as of January 1, 2017, by \$2.8 million. BCBS South Carolina overstated those Excess Plan pension assets because it did not have policies and procedures to ensure that it calculated those assets in accordance with Federal requirements when updating its Excess Plan Partial Medicare segment pension assets from January 1, 2015, to January 1, 2017.

What OIG Recommends and Auditee Comments

We recommend that BCBS South Carolina decrease its Excess Plan Partial Medicare segment pension assets by \$2.8 million and recognize a negative \$10,750 as the Excess Plan Partial Medicare segment pension assets as of January 1, 2017, and develop and implement policies and procedures to ensure that going forward, it calculates Medicare segment pension assets in accordance with Federal requirements.

In written comments on our draft report, BCBS South Carolina stated that it did not object to our findings and recommendations and added that it did not believe that our findings had a material impact on its submitted Incurred Cost Proposals.