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

Cahaba Safeguard Administrators, LLC, Overstated Its Medicare Segment Pension Assets as of January 1, 2020

Why OIG Did This Audit

Medicare contractors are required to separately account for the 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 the cost elements related to qualified defined-benefit, postretirement benefit, and any other pension-related cost elements claimed by Medicare contractors through Incurred Cost Proposals (ICPs).

Previous OIG audits found that Medicare contractors did not always correctly identify and update the segmented pension assets.

Our objectives were to determine whether Cahaba Safeguard Administrators, LLC (Cahaba CSA), complied with Federal requirements and its established cost accounting practice when updating the Medicare segment pension assets from January 1, 2017, to January 1, 2020.

How OIG Did This Audit

We reviewed Cahaba CSA's identification of its Medicare segment and its update of the Medicare segment pension assets from January 1, 2017, to January 1, 2020.

What OIG Found

Cahaba CSA did not correctly update the Medicare segment pension assets from January 1, 2017, to January 1, 2020, in accordance with Federal regulations and its established cost accounting practice. Cahaba CSA identified Medicare segment pension assets of $11.1 million as of January 1, 2020; however, we determined that those assets were $11.0 million as of that date. Therefore, Cahaba CSA overstated the Medicare segment pension assets by $94,960. Cahaba CSA overstated those pension assets because its policies and procedures did not always ensure that it calculated those assets in accordance with Federal regulations and its established cost accounting practice when updating the Medicare segment's pension assets from January 1, 2017, to January 1, 2020.

What OIG Recommends and Auditee Comments

We recommend that Cahaba CSA decrease the Medicare segment pension assets by $94,960 and recognize $11.0 million as the Medicare segment pension assets as of January 1, 2020; and develop quality assurance procedures, to include improved policies and procedures, to ensure that going forward, it calculates Medicare segment pension assets in accordance with Federal requirements.

Cahaba CSA agreed with our recommendation to decrease the Medicare segment pension assets as of January 1, 2020, by $94,960 and recognize $11.0 million as the Medicare segment assets. In addition, Cahaba CSA stated that it would strengthen controls to ensure that the Medicare segment's assets are updated in accordance with the Medicare contracts.