

Report in Brief

Date: January 2024

Report No. A-07-23-00637

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



Why OIG Did This Audit

The Centers for Medicare & Medicaid Services (CMS) reimburses a portion of its contractors' postretirement benefit (PRB) costs.

The HHS, OIG, Office of Audit Services, Region VII pension audit team reviews the cost elements related to qualified defined-benefit, nonqualified defined-benefit, PRB, and any other pension-related cost elements claimed by Medicare administrative contractors and Cost Accounting Standards- and Federal Acquisition Regulation-covered contracts through Incurred Cost Proposals (ICPs).

Our objective was to determine whether the calendar years (CYs) 2017 through 2019 PRB costs that Cahaba Safeguard Administrators, LLC (Cahaba CSA), claimed for Medicare reimbursement, and reported on its ICPs, were allowable and correctly claimed.

How OIG Did This Audit

We reviewed \$401,841 of Medicare PRB costs that Cahaba CSA claimed for Medicare reimbursement on its ICPs for CYs 2017 through 2019.

Cahaba Safeguard Administrators, LLC, Claimed Some Unallowable Medicare Postretirement Benefit Costs Through Its Incurred Cost Proposals

What OIG Found

Cahaba CSA claimed PRB costs of \$401,841 for Medicare reimbursement, through its ICPs, for CYs 2017 through 2019; however, we determined that the allowable PRB costs during this period were \$392,035. The difference, \$9,806, represented unallowable Medicare PRB costs that Cahaba CSA claimed on its ICPs for CYs 2017 through 2019. Cahaba CSA claimed these unallowable Medicare PRB costs primarily because it used an incorrect methodology when claiming PRB costs for Medicare reimbursement. More specifically, Cahaba CSA incorrectly calculated its allocable PRB costs using the accrual method instead of the pay-as-you-go method.

What OIG Recommends and Auditee Comments

We recommend that Cahaba CSA work with CMS to ensure that its final settlement of contract costs reflects a decrease in Medicare PRB costs of \$9,806 for CYs 2017 through 2019.

Cahaba CSA did not concur with our finding. Cahaba CSA referred to the management response letter that it had submitted to CMS in response to our previous audit report on its PRB costs claimed for CYs 2014 through 2016 (A-07-19-00578, Nov. 17, 2020). For this current audit, Cahaba CSA stated that it disagreed with our findings for CYs 2017 through 2019 for the same reasons that it offered in that management response letter. Furthermore, Cahaba CSA asked that we and CMS revisit the requirements set forth in the Federal Acquisition Regulation regarding use of the accrual method and added that Cahaba CSA's intended use of the accrual method was fully disclosed to and discussed with CMS in 2015.

After reviewing Cahaba CSA's comments, including its management response letter to our previous audit, we maintain that all of our calculations of the Medicare PRB costs remain valid and that both our finding and recommendation remain valid as well. We note as well that during audit resolution of our previous Cahaba CSA PRB report, CMS as the cognizant HHS Operating Division upheld that report's recommendation. In addition, we have concerns about several provisions of the funding mechanisms that Cahaba CSA has in place and do not believe that those mechanisms satisfy Federal requirements.