

Report in Brief

Date: July 2018

Report No. A-05-16-00053

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



Why OIG Did This Review

The Centers for Medicare & Medicaid Services (CMS) contracted with Wisconsin Physicians Service Insurance Corporation (WPS) to process Part B claims as a carrier under Medicare Contract HCFA 87-032-2. CMS requested that we audit WPS's Medicare Part B final administrative cost proposal (FACP) for Federal fiscal year (FY) 2013.

Our objective was to determine whether the administrative costs WPS claimed on its FACP for FY 2013 were allowable and in accordance with its Medicare contract and applicable Federal regulations.

How OIG Did This Review

When claiming administrative costs, Medicare contractors must follow cost reimbursement principles contained in part 31 of the Federal Acquisition Regulation (FAR) and other applicable criteria. Our audit covered \$29.2 million of the \$29.3 million in Medicare Part B administrative costs that WPS claimed for FY 2013. (The remaining \$193,004 was for pension costs, which will be reviewed in a separate audit.) We determined whether these claimed costs were reasonable, allowable, and allocable and in compliance with WPS's Medicare contract and applicable Federal regulations.

WISCONSIN PHYSICIANS SERVICE INSURANCE CORPORATION CLAIMED UNALLOWABLE MEDICARE PART B ADMINISTRATIVE COSTS FOR FISCAL YEAR 2013

What OIG Found

Administrative costs WPS claimed on its FY 2013 FACP were generally allowable and in accordance with its Medicare contract and applicable Federal regulations. Of the \$29.2 million reviewed, we accepted \$27.7 million as allowable, allocable, and reasonable and questioned the remaining \$1.5 million as unallowable costs.

What OIG Recommends and WPS Comments

We recommend that WPS reduce its FACP for FY 2013 by \$1.5 million to eliminate the unallowable costs identified in this report. We also recommend that WPS improve procedures to distinguish between allowable and unallowable costs in accordance with the applicable Medicare contract, Cost Accounting Standards (CAS), and FAR provisions. Specifically, WPS should ensure (1) that when an unallowable cost is incurred, its directly associated costs are properly identified and excluded and (2) that revenue, payroll, and net-book-value of assets percentages used in developing three-factor formula rates are consistent with guidance defined in the CAS and the FAR provisions defining reasonableness.

In written comments on our draft report, WPS referred to comments on previously issued OIG reports. WPS's previous comments indicate that it does not concur with the majority of our findings related to our recommendation to reduce its FACP by \$1.5 million. Specifically, those comments indicate that WPS does not concur with reducing RHO expenses, EIP bonuses, and related payroll taxes by \$1.5 million but does concur with reducing lobbying salaries totaling \$10,158.

We maintain that all of our findings and recommendations are valid.