

Report in Brief

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



Why OIG Did This Review

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 (CAS) 412 and 413.

The HHS, OIG, Office of Audit Services, Region VII pension audit team reviews the Medicare segment pension assets to ensure compliance with Federal regulations.

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

Our objectives were to determine whether Palmetto Government Benefits Administrator, LLC (Palmetto), complied with Federal requirements, the Medicare contracts' pension segmentation requirements, and its established cost accounting practice when (1) implementing the prior audit recommendations and (2) updating the Palmetto Medicare segment pension assets from January 1, 2005, to January 1, 2013.

How OIG Did This Review

We reviewed Palmetto's update of the Medicare segment pension assets as of January 1, 2013, to ensure compliance with Federal regulations.

Palmetto Government Benefits Administrator, LLC, Understated Its Medicare Segment Pension Assets

What OIG Found

Palmetto concurred with our prior audit recommendation to increase the Medicare segment pension asset by \$2.2 million as of January 1, 2005. However, Palmetto did not correctly update the Medicare segment pension assets from January 1, 2005, to January 1, 2013, in accordance with Federal regulations and the Medicare contracts' pension segmentation requirements. Palmetto identified \$63.6 million as the Medicare segment pension assets as of January 1, 2013; however, we determined that the Medicare segment pension assets were \$64.6 million. Therefore, Palmetto understated the Medicare segment pension assets as of January 1, 2013 by \$1.0 million. Palmetto understated its Medicare segment's pension assets because it did not have policies and procedures to ensure that it calculated those assets in accordance with Federal regulations, the pension segmentation language of its Medicare contracts, and its established cost accounting practice when updating the Medicare segments' pension assets from January 1, 2005, to January 1, 2013.

What OIG Recommends and Palmetto Comments

We recommend that Palmetto increase the Medicare segment pension assets by \$1.0 million and recognize \$64.6 million as the Medicare segment pension assets as of January 1, 2013, and establish policies and procedures to ensure compliance with Federal regulations and the pension segmentation language of the Medicare contracts.

Palmetto concurred with our recommendations.