

Report in Brief

Date: July 2017

Report No. A-07-17-00505

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



Why **OIG** Did This Review

The Centers for Medicare & Medicaid Services (CMS) reimburses contractors for a portion of their pension costs, which are funded by the annual contributions that contractors make to their pension plans.

At CMS's request, the HHS, **OIG**, Office of Audit Services, Region VII pension audit team reviews the cost elements related to qualified defined-benefit plans, and any other pension-related cost elements claimed by Medicare contractors through Incurred Cost Proposals (ICPs).

Previous **OIG** reviews found that Medicare contractors did not always comply with Federal requirements when claiming pension costs for Medicare reimbursement.

Our objective was to determine whether the pension costs that Palmetto Government Benefits Administrator, LLC (Palmetto), used to calculate the indirect cost rates in its ICPs for calendar years (CYs) 2006 through 2012 complied with Federal requirements.

How **OIG** Did This Review

We reviewed \$39.7 million of Medicare segment pension costs used by Palmetto in the calculation of its indirect cost rates for CYs 2006 through 2012.

Palmetto Government Benefits Administrator, LLC, Understated Its Medicare Segment Allocable Pension Costs

What **OIG** Found

The Medicare segment allocable pension costs that Palmetto used to calculate the indirect cost rates in its ICPs did not comply with Federal requirements. Specifically, for CYs 2006 through 2012, Palmetto used Medicare segment pension costs of \$39.7 million to calculate its indirect cost rates; however, we determined that the Medicare segment pension costs that Palmetto should have used to calculate the indirect cost rates were \$39.8 million. Thus, Palmetto understated the Medicare segment pension costs used to calculate its indirect cost rates by \$143,000. This understatement occurred primarily because Palmetto used incorrect Cost Accounting Standards pension costs to calculate its indirect cost rates for CYs 2006 through 2012.

What **OIG** Recommends and Palmetto Comments

We recommend that Palmetto increase the Medicare segment pension costs used to calculate its indirect cost rates by \$143,000 for CYs 2006 through 2012.

Palmetto concurred with our recommendation.