

Report in Brief

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



Why OIG Did This Review

The Centers for Medicare & Medicaid Services (CMS) reimburses Medicare contractors for a portion of their pension costs, which are funded by the annual contributions that these 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, postretirement benefit, and any other pension-related cost elements claimed by Medicare contractors through Incurred Cost Proposals (ICPs).

Our objective was to determine whether the calendar years (CYs) 2010 and 2011 pension costs that Palmetto Government Benefits Administrator, LLC (Palmetto), claimed for Medicare reimbursement, and reported on its ICPs, were allowable and correctly claimed.

How OIG Did This Review

We reviewed \$9.9 million of pension costs that Palmetto claimed for Medicare reimbursement on its ICPs for CYs 2010 and 2011.

Palmetto Government Benefits Administrator, LLC, Claimed Some Unallowable Pension Costs Through Its Incurred Cost Proposals

What OIG Found

The CYs 2010 and 2011 pension costs that Palmetto claimed for Medicare reimbursement, and reported on its ICPs, were not always allowable and correctly claimed. Specifically, Palmetto claimed pension costs of \$9.9 million for Medicare reimbursement, through its ICPs, for CYs 2010 and 2011. However, we determined that the allowable pension during this period were \$9.8 million. The difference, \$95,038, represented unallowable Medicare pension costs that Palmetto claimed on its ICPs for CYs 2010 and 2011. Palmetto claimed these unallowable Medicare pension costs primarily because it (1) did not allocate the correct pension costs to Palmetto and (2) used incorrect indirect cost rates when claiming pension costs for Medicare reimbursement.

What OIG Recommends and Auditee Comments

We recommend that Palmetto work with CMS to ensure that its final settlement of contract costs reflects a decrease in Medicare pension costs of \$95,038 for CYs 2010 and 2011.

Palmetto concurred with our recommendation.