

## Report in Brief

Date: August 2017

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### 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.

Our objectives were to determine whether TrailBlazer Health Enterprises, LLC (TrailBlazer), complied with Federal requirements, the Medicare contracts' pension segmentation requirements, and its established cost accounting practice when (1) implementing the prior audit recommendations, (2) updating the TrailBlazer Medicare segment pension assets from January 1, 2005, to April 30, 2013, and (3) determining Medicare's share of the Medicare segment excess pension assets or liabilities as a result of the Medicare segment closing.

### How OIG Did This Review

We reviewed TrailBlazer's update of the Medicare segment pension assets from January 1, 2005, to April 30, 2013. The TrailBlazer Medicare segment closed effective April 30, 2013; therefore, the auditee requested that we address our recommendations to Palmetto Government Benefits Administrator (Palmetto).

## TrailBlazer Health Enterprises, LLC, Understated Its Medicare Segment Pension Assets and Understated Medicare's Share of the Medicare Segment Excess Pension Assets

### What OIG Found

We were unable to verify whether our prior audit recommendation had been implemented because Palmetto did not give us an updated Medicare segment CAS rollup. Without that information, we were unable to determine whether Palmetto had implemented the recommendation. Therefore, we continue to identify the prior audit recommendation as an adjustment to the Medicare segment pension assets. For our second objective, TrailBlazer did not correctly update the Medicare segment pension assets from January 1, 2005, to April 30, 2013. TrailBlazer identified Medicare segment pension assets of \$2.2 million as of April 30, 2013; however, we determined that the Medicare segment pension assets were \$3.4 million. Therefore, TrailBlazer understated the Medicare segment pension assets by \$1.2 million.

TrailBlazer 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 and the pension segmentation language of its Medicare contracts when updating the Medicare segment's pension assets from January 1, 2005, to April 30, 2013.

For our third objective, TrailBlazer calculated Medicare's share of the Medicare segment excess pension assets to be \$141,764 as of April 30, 2013; however, we determined that Medicare's share of the Medicare segment excess pension assets were \$1.4 million as of that date. The difference, about \$1.2 million, constituted allowable Medicare segment excess pension assets that TrailBlazer did not include in its closing adjustment.

### What OIG Recommends and Auditee Comments

We recommend that Palmetto increase TrailBlazer's Medicare segment pension assets by \$1.2 million as of April 30, 2013, and increase Medicare's share of the Medicare segment excess pension assets as of April 30, 2013, by \$1.2 million and recognize \$1.4 million as Medicare's share of the Medicare segment excess pension assets due to the segment closing calculation.

Palmetto concurred with our recommendations.