

Report in Brief

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Report No. A-07-17-00516

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 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 Wisconsin Physicians Service Insurance Corporation (WPS) complied with Federal requirements and the Medicare contracts' pension segmentation requirements when (1) implementing our prior audit recommendation and (2) updating the Medicare segment pension assets for the Employees' Pension Plan from January 1, 2008, to December 31, 2012.

How OIG Did This Review

We reviewed WPS's update of the Medicare segment pension assets as of December 31, 2012, to ensure compliance with Federal regulations.

Wisconsin Physicians Service Insurance Corporation Understated Its Medicare Segment Pension Assets for Its Employees' Pension Plan

What OIG Found

WPS implemented our prior audit recommendation to recognize \$15.1 million as the Medicare segment pension assets as of January 1, 2008. Regarding our second objective, WPS did not correctly update the Medicare segment pension assets from January 1, 2008, to December 31, 2012, in accordance with Federal regulations and the Medicare contracts' pension segmentation requirements. WPS identified \$16.084 million as the Medicare segment pension assets as of December 31, 2012; however, we determined that the Medicare segment pension assets were \$16.326 million as of that date. Therefore, WPS understated the Medicare segment pension assets as of December 31, 2012, by \$241,574. WPS understated its Medicare segment's pension assets because it did not have controls to ensure that it calculated those assets in accordance with Federal regulations and the pension segmentation language of its Medicare contracts when updating the assets from January 1, 2008, to December 31, 2012.

What OIG Recommends and Auditee Comments

We recommend that WPS increase the Medicare segment pension assets by \$241,574 and recognize \$16.326 million as the Medicare segment pension assets as of December 31, 2012, and implement controls, including policies and procedures, to ensure compliance with Federal regulations and the pension segmentation language of the Medicare contracts.

WPS did not concur with our first recommendation. Specifically, WPS stated that we identified three participants as transfers into WPS's Medicare segment between 2008 and 2009 and added that it believes that these participants were always part of its Medicare segment. Except for the transfer of the three participants, WPS concurred with all other differences identified in our draft report.

We disagree with WPS that these three participants were always Medicare segment participants. During our prior audit, we identified those three participants as Other segment employees. WPS agreed with the Medicare segment pension assets that we conveyed in our prior report. However, during the current review, we determined that those participants were Medicare segment participants during 2009, and our calculations transferred them to the Medicare segment to properly move assets equal to their accrued liabilities. We therefore maintain that our findings and recommendations remain valid.