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, nonqualified defined-benefit, postretirement benefit, and any other pension-related cost elements claimed by Medicare fiscal intermediaries and carrier contractors and Medicare administrative contractors through Final Administrative Cost Proposals and/or Incurred Cost Proposals (ICPs).

Previous OIG reviews found that Medicare contractors have not always complied with Federal requirements when claiming pension costs for Medicare reimbursement.

Our objective for this review was to determine whether the calendar years (CYs) 2008 through 2013 pension costs that Cahaba Safeguard Administrators, LLC (Cahaba CSA), claimed for Medicare reimbursement, and reported on its ICPs, were allowable and correctly claimed.

Cahaba Safeguard Administrators, LLC, Understated Medicare Administrative Contract Allowable Pension Costs

What OIG Found
Cahaba CSA claimed Medicare pension costs of $4.5 million for Medicare reimbursement, through its ICPs, for CYs 2008 through 2013; however, we determined that the allowable Cost Accounting Standards-based pension costs during this period were $4.6 million. The difference, $104,958, represented allowable Medicare pension costs that Cahaba CSA did not claim on its ICPs for CYs 2008 through 2013. Cahaba CSA did not claim these allowable Medicare pension costs primarily because it based its claim for Medicare reimbursement on incorrectly computed assignable pension costs.

What OIG Recommends and Auditee Comments
We recommend that Cahaba CSA work with CMS to ensure that its final settlement of contract costs reflects an increase in Medicare pension costs of $104,958 for CYs 2008 through 2013.

Cahaba CSA agreed with our recommendation to work with CMS to ensure that its final settlement of contract costs reflects an increase in Medicare pension costs of $104,958 for CYs 2008 through 2013. In addition, Cahaba CSA stated that it would ensure that future pension costs are claimed in accordance with Medicare contracts.

The full report can be found at https://oig.hhs.gov/oas/reports/region7/71700526.asp.