

Report in Brief

Date: May 2018

Report No. A-07-17-00529

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 (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.

Previous OIG reviews found that Medicare contractors did not always correctly calculate Medicare's share of the Medicare segment excess pension assets or liabilities.

Our objectives were to determine whether Wisconsin Physicians Service Insurance Corporation (WPS) complied with Federal requirements when (1) implementing the prior audit recommendations to increase the Medicare segment assets as of December 31, 2013, and (2) determining Medicare's share of the Medicare segment excess pension assets or liabilities as a result of its Managerial Pension Plan (MPP) benefit curtailment.

How OIG Did This Review

We reviewed \$3.9 million that WPS proposed as Medicare's share of the Medicare segment excess pension liabilities as of December 31, 2013, as a result of its benefit curtailment.

Wisconsin Physicians Service Insurance Corporation Understated Medicare's Share of the Medicare Segment Excess Pension Assets

What OIG Found

WPS did not concur with our recommendation in the prior WPS MPP segmentation audit (A-07-17-00518) to increase the Medicare segment pension assets by \$3.2 million as of December 31, 2013. Consequently, WPS did not implement our recommendation.

WPS did not comply with Federal requirements when determining Medicare's share of the Medicare segment excess pension liabilities as of the benefit curtailment date. WPS calculated Medicare's share of the excess pension liabilities as of December 31, 2013, to be \$3.9 million. We determined, however, that Medicare's share of the surplus of pension assets was \$13.8 million as of that date. Therefore, WPS understated Medicare's share of the surplus of Medicare segment pension assets by \$17.7 million. WPS understated these assets because its calculation used an unreasonable long-term interest rate that did not comply with CAS 413.

What OIG Recommends and Auditee Comments

We recommend that WPS increase Medicare's share of the Medicare segment excess pension assets as of December 31, 2013, by \$17.7 million and recognize \$13.8 million as Medicare's share of the excess pension assets as a result of the benefit curtailment.

WPS disagreed with our findings. Specifically, WPS cited its comments on our prior MPP segmentation report (A-07-17-00518) to support its disagreement with the \$3.2 million Medicare pension asset amount that we calculated as of December 31, 2013. WPS also stated that the long-term interest rate that it used to compute its accrued liabilities was required by CAS 413.

We maintain that our findings and recommendations in our prior report, as modified, remain valid and as such are valid to be used to calculate Medicare's share of the excess pension assets for this current report. Also, the long-term interest rate that WPS used did not comply with CAS 413, and we maintain that our use of a higher long-term interest rate, based on an average of historical assumptions, was reasonable for our calculation of WPS's liabilities as a result of the benefit curtailment.