

Report in Brief

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



Why OIG Did This Audit

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.

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).

Previous OIG audits found that Medicare contractors did not always comply with Federal requirements when claiming pension costs for Medicare reimbursement.

Our objective was to determine whether the calendar years (CYs) 2012 through 2016 qualified defined-benefit plan pension costs (herein referred to as “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 Audit

We reviewed \$26.7 million of pension costs that Palmetto claimed for Medicare reimbursement on its ICPs for CYs 2012 through 2016.

Palmetto Government Benefits Administrator, LLC, Did Not Claim Some Allowable Medicare Pension Costs Through Its Incurred Cost Proposals

What OIG Found

Palmetto claimed pension costs of \$26.7 million for Medicare reimbursement, through its ICPs, for CYs 2012 through 2016; however, we determined that the allowable Cost Accounting Standards-based pension costs during this period were \$27.7 million. The difference, \$998,912, represented allowable Medicare pension costs that Palmetto did not claim on its ICPs for CYs 2012 through 2016. Palmetto did not claim these allowable Medicare pension costs primarily because it used incorrect indirect cost rates when claiming pension costs for Medicare reimbursement. Specifically, Palmetto used an incorrect allocable pension cost when calculating the indirect cost rates.

What OIG Recommends and Auditee Comments

We recommend that Palmetto work with CMS to ensure that its final settlement of contract costs reflects an increase in Medicare pension costs of \$998,912 for CYs 2012 through 2016.

In its formal written comments, Palmetto did not directly refer to the monetary amount in our recommendation but did say that it would work with CMS to ensure that its final settlement of contract costs is appropriate. However, information Palmetto provided to us after issuance of our draft report caused us to decrease our recommended pension cost adjustment from \$1,000,941 to \$998,912 (a \$2,029 change).