

REPORT HIGHLIGHTS



August 2025 | OAS-25-07-020

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

Why OIG Did This Audit

- 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.
- HHS, OIG, Office of Audit Services, 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.
- This audit examined whether the calendar years (CYs) 2017 through 2021 pension costs that Palmetto claimed for Medicare reimbursement, and reported on its ICPs, were allowable and correctly claimed.

What OIG Found

- Palmetto claimed pension costs of \$18.7 million for Medicare reimbursement, through its ICPs, for CYs 2017 through 2021; however, we determined that the allowable Cost Accounting Standards-based pension costs during this period were \$20.6 million. The difference, \$1.9 million, represented allowable Medicare pension costs that Palmetto did not claim on its ICPs for CYs 2017 through 2021.
- 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 costs when calculating the indirect cost rates.

What OIG Recommends

We recommend that Palmetto work with CMS to ensure that its final settlement of contract costs reflects an increase in Medicare pension costs of \$1.9 million for CYs 2017 through 2021.

Palmetto concurred with our finding but did not specifically indicate concurrence or nonconcurrence with our recommendation. Palmetto said that it would work with CMS to ensure the final settlement and collection of contract costs.