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Palmetto Government Benefits Administrator, LLC, Claimed Some Unallowable Medicare Postretirement Benefit Costs Through Its Incurred Cost Proposal

Why OIG Did This Audit

- CMS reimburses Medicare contractors for a portion of their postretirement benefit (PRB) costs, which are funded by the contributions that these contractors make to their dedicated trust funds.
- HHS, OIG, Office of Audit Services, reviews the cost elements related to qualified defined-benefit, PRB, 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 PRB costs for Medicare reimbursement.
- This audit examined whether the calendar year (CY) 2017 PRB costs that Palmetto claimed for Medicare reimbursement, and reported on its ICP, were allowable and correctly claimed.

What OIG Found

- Palmetto claimed PRB costs of \$101,518 for Medicare reimbursement, through its ICP, for CY 2017; however, we determined that the allowable PRB costs during this period were \$92,349. The difference, \$9,169, represented unallowable Medicare PRB costs that Palmetto claimed on its ICP for CY 2017.
- Palmetto claimed these unallowable Medicare PRB costs primarily because it used incorrect indirect cost rates when claiming those costs for Medicare reimbursement.

What OIG Recommends

We recommend that Palmetto work with CMS to ensure that its final settlement of contract costs reflects a decrease in Medicare PRB costs of \$9,169 for CY 2017.

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 that the final cost settlements are accurate.