

## Report in Brief

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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 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 identify and update the segmented pension assets.

Our objectives were to determine whether Wisconsin Physicians Service Insurance Corporation (WPS) complied with Federal requirements and the Medicare contracts' pension segmentation requirements when (1) implementing our prior audit recommendation and (2) updating the Medicare segment pension assets for the Managerial Retirement Program for Selected Locations from January 1, 2008, to December 31, 2009.

### How OIG Did This Review

We reviewed WPS's update of the Medicare segment pension assets as of December 31, 2009, to ensure compliance with Federal regulations.

## Wisconsin Physicians Service Insurance Corporation Understated Its Medicare Segment Pension Assets for Its Managerial Retirement Program for Selected Locations

### What OIG Found

WPS implemented our prior audit recommendation. However, WPS did not correctly update the Medicare segment pension assets from January 1, 2008, to December 31, 2009. WPS identified \$24.824 million as the Medicare segment pension assets as of December 31, 2009; however, we determined that the Medicare segment pension assets were \$24.857 million as of that date. Therefore, WPS understated the Medicare segment pension assets as of December 31, 2009 by \$33,463. WPS understated its Medicare segment's pension assets because it did not have controls to ensure that it calculated them in accordance with Federal regulations and the pension segmentation language of its Medicare contracts when updating the Medicare segment's pension assets from January 1, 2008, to December 31, 2009.

### What OIG Recommends and Auditee Comments

We recommend that WPS increase the Medicare segment pension assets by \$33,463 and recognize \$24.857 million as the Medicare segment pension assets as of December 31, 2009, and implement controls, including policies and procedures, to ensure compliance with Federal regulations and the pension segmentation language of the Medicare contracts.

WPS disagreed with some of the determinations we made in developing some of our findings and, consequently, it did not concur with our recommendations. WPS identified two cost centers that should have been included as Medicare cost centers in 2009. WPS also identified two participants whom we treated as transfers between 2008 and 2009 and said it believes that these participants were always part of its Medicare segment.

We revised our Medicare segment pension assets to include the two cost centers as part of the Medicare segment and have revised our findings and recommendation accordingly. However, we disagree with WPS that the two participants were always Medicare segment participants. Our prior audit treated those two participants as Other segment employees and determined that any changes would be immaterial—a conclusion with which WPS agreed at the time. However, during the current review, we determined that those participants were Medicare segment participants during 2009, and our calculations transferred them to the Medicare segment to properly move assets equal to their accrued liabilities.