

Report in Brief

Date: July 2019

Report No. A-07-19-00561

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



Why OIG Did This Review

Certain 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 identify and update the segmented pension assets.

Our objectives were to determine whether Group Health Incorporated (GHI) complied with Federal requirements and the Medicare contracts' pension segmentation requirements when (1) implementing the prior audit recommendation to increase the EmblemHealth Retirement Plan (EHS Retirement Plan) Medicare segment pension assets as of January 1, 2009, and (2) updating the EHS Retirement Plan Medicare segment pension assets from January 1, 2009, to January 1, 2015.

How OIG Did This Review

We reviewed GHI's implementation of the prior audit recommendation, its identification of its EHS Retirement Plan Medicare segment, and its update of the EHS Retirement Plan Medicare segment pension assets from January 1, 2009, to January 1, 2015.

Group Health Incorporated Understated Its EmblemHealth Services Company, LLC, Employees' Retirement Plan Medicare Segment Pension Assets as of January 1, 2015

What OIG Found

GHI implemented our prior audit recommendation to recognize \$489,218 as the EmblemHealth Retirement Plan Medicare segment pension assets as of January 1, 2009. Regarding our second objective, GHI did not correctly update the EHS Retirement Plan Medicare segment pension assets from January 1, 2009, to January 1, 2015, in accordance with Federal requirements and the Medicare contracts' pension segmentation requirements. GHI identified \$5.2 million as the EHS Retirement Plan Medicare segment pension assets as of January 1, 2015; however, we determined that those assets were \$5.633 million as of that date. Therefore, GHI understated the EHS Retirement Plan Medicare segment pension assets as of January 1, 2015, by \$432,584. GHI understated those pension assets because it did not have quality assurance procedures to ensure that it calculated those assets in accordance with Federal requirements when updating the EHS Retirement Plan Medicare segment's pension assets from January 1, 2009, to January 1, 2015.

What OIG Recommends and Auditee Comments

We recommend that GHI increase the EHS Retirement Plan Medicare segment pension assets by \$432,584 and recognize \$5.633 million as the EHS Retirement Plan Medicare segment pension assets as of January 1, 2015; and develop quality assurance procedures to ensure that going forward, it calculates Medicare segment pension assets in accordance with Federal requirements.

GHI did not directly address our recommendations. However, GHI's comments suggest that it disagreed with our recommendations. GHI referred to our disagreement with the long-term interest rate assumption that it used to compute accrued liabilities and normal cost, and cited this disagreement as a reason for the differences conveyed in some of our findings.

We maintain that all of our calculations of the Medicare segment pension assets remain valid. Therefore, we maintain that our findings and recommendations remain valid as well.