

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.

At CMS's request, 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 correctly identify and claim pension costs.

Our objective was to determine whether the calendar years (CYs) 2009 through 2016 qualified defined-benefit plan pension costs that Group Health Incorporated (GHI) claimed for Medicare reimbursement, and reported on its ICPs, were allowable and correctly claimed.

How OIG Did This Audit

We reviewed \$14 million of Medicare pension costs that GHI claimed for Medicare reimbursement on its ICPs for CYs 2009 through 2016.

Group Health Incorporated Did Not Claim Some Allowable Medicare Pension Costs for Calendar Years 2009 Through 2016

What OIG Found

GHI claimed pension costs of \$14 million for Medicare reimbursement, through its ICPs, for CYs 2009 through 2016; however, we determined that the allowable Cost Accounting Standards-based pension costs during this period were \$15.1 million. The difference, \$1.1 million, represented allowable Medicare pension costs that GHI did not claim on its ICPs for CYs 2009 through 2016. This underclaim occurred specifically because GHI based its claim for Medicare reimbursement on incorrect pension costs included in the indirect cost rates on the ICPs.

What OIG Recommends and Auditee Comments

We recommend that GHI work with CMS to ensure that its final settlement of contract costs reflects an increase in Medicare pension costs of \$1.1 million for CYs 2009 through 2016.

GHI did not directly address our recommendation. However, GHI's comments disagreeing with our findings in this and related reports suggested that it disagreed with our recommendation. Specifically, GHI disagreed with our disallowance of quarterly interest and with the indirect cost rates that we used. We maintain that all of our calculations of the Medicare pension costs remain valid and that our findings and recommendation remain valid as well.