

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 contractors for a portion of their postretirement benefit (PRB) costs.

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, PRB, and any other pension-related cost elements claimed by Medicare contractors through Incurred Cost Proposals (ICPs).

Previous OIG audits found that Medicare contractors have not always complied with Federal requirements when claiming PRB costs for Medicare reimbursement.

Our objective was to determine whether the calendar years (CYs) 2009 through 2016 PRB 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 \$3.1 million of Medicare PRB costs that GHI claimed for Medicare reimbursement on its ICPs for CYs 2009 through 2016. After we calculated the allocable PRB costs, we incorporated the results of other CMS-contracted audits into our calculations of allowable PRB costs.

Group Health Incorporated Claimed Some Unallowable Medicare Postretirement Benefit Costs for Calendar Years 2009 Through 2016

What OIG Found

The CYs 2009 through 2016 PRB costs that GHI claimed for Medicare reimbursement, and reported on its ICPs, were not always correctly claimed. Specifically, GHI claimed PRB costs of \$3.1 million for Medicare reimbursement on its ICPs for CYs 2009 through 2016. However, we determined that the allowable PRB costs for this period were \$1.5 million. The difference, \$1.6 million, constituted unallowable Medicare PRB costs that GHI claimed on its ICPs for CYs 2009 through 2016. GHI claimed unallowable PRB costs primarily because it used an incorrect methodology when allocating its PRB costs.

What OIG Recommends and Auditee Comments

We recommend that GHI work with CMS to ensure that its final settlement of contract costs reflects a decrease in Medicare PRB costs of \$1.6 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 said that we did not provide supporting documentation for our finding and that we incorrectly incorporated ceiling rates when determining GHI's final indirect cost rates for CYs 2009 through 2016. We maintain that we gave supporting documentation for our finding to GHI before GHI sent its comments on our draft report and that we correctly incorporated ceiling rates when determining GHI's final indirect cost rates for CYs 2009 through 2016. Accordingly, all of our calculations of the allowable PRB costs remain valid. Therefore, we maintain that our finding and recommendation remain valid as well.