

## Report in Brief

Date: January 2022

Report No. A-07-21-00604

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 postretirement benefit (PRB) costs.

The HHS, OIG, Office of Audit Services, Region VII pension audit team reviews the Medicare segment PRB assets to ensure compliance with Federal regulations.

Previous OIG audits found that Medicare contractors did not always correctly identify and update the segmented PRB assets.

Our objectives were to determine whether Noridian Healthcare Solutions, LLC (NHS), complied with Federal requirements when:

(1) implementing the prior audit recommendation to increase the NHS Medicare segment PRB assets as of January 1, 2016, and (2) updating the Medicare segment PRB assets with contributions, permitted unfunded accruals, income, claims paid, participant transfers, and administrative expenses in its Cost Accounting Standards exhibits from January 1, 2016, to January 1, 2017.

### How OIG Did This Audit

We reviewed NHS's implementation of the prior audit recommendation, its identification of its PRB Medicare segment, and its update of the Medicare segment PRB assets from January 1, 2016, to January 1, 2017.

## Noridian Healthcare Solutions, LLC, Understated Its Medicare Segment Postretirement Benefit Assets as of January 1, 2017

### What OIG Found

NHS concurred with our prior audit recommendation to increase the Medicare segment PRB assets by \$203,100 as of January 1, 2016. NHS did not implement our prior audit recommendation to upgrade the Medicare segment PRB assets. Regarding our second objective, NHS did not fully comply with Federal requirements when updating the Medicare segment PRB assets from January 1, 2016, to January 1, 2017. NHS identified Medicare segment PRB assets of \$9.5 million as of January 1, 2017; however, we determined that the Medicare segment PRB assets were \$9.7 million as of that date. Therefore, NHS understated the Medicare segment PRB assets as of January 1, 2017, by \$197,098. NHS understated the Medicare segment PRB assets because it did not have policies and procedures to ensure that it calculated those assets in accordance with Federal regulations and its established cost accounting practice when updating the Medicare segment's PRB assets from January 1, 2016, to January 1, 2017.

### What OIG Recommends and Auditee Comments

We recommend that NHS increase the Medicare segment PRB assets by \$197,098 as of January 1, 2017.

NHS agreed with our finding that the Medicare segment PRB assets were understated and added that it would make the necessary adjustments to reflect the findings in future valuation reports issued. In addition, NHS stated that our report "improperly criticizes" NHS for "failing to implement" our recommendation from our prior pension segmentation audit (A-07-19-00567). NHS attributed the delay in updating the Medicare segment PRB assets to our delay in issuing that prior report, and not to any improper action or omission by NHS.

We agree that the delay in updating the Medicare segment PRB assets was not the result of an improper action or omission by NHS. Our current report addresses our prior audit recommendation as one of the audit adjustments required to update NHS's Medicare segment PRB assets. However, we recognize that the delay in issuance of our prior report affected the findings for this current audit and was the cause of NHS's delay in updating those assets. We note that NHS agreed with our current report's finding that the PRB assets were understated.