

Report in Brief

Date: August 2023
Report No. A-07-23-00629

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 Medicare segment PRB assets.

Our objectives were to determine whether First Coast Service Options, Inc. (First Coast), complied with Federal requirements when:

- (1) implementing the prior audit recommendation to decrease the First Coast Medicare segment PRB assets as of January 1, 2013; 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, 2013, to January 1, 2019.

How OIG Did This Audit

We reviewed First Coast'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, 2013, to January 1, 2019.

First Coast Service Options, Inc., Overstated Its Medicare Segment Postretirement Benefit Assets as of January 1, 2019

What OIG Found

First Coast implemented our prior audit recommendation to decrease the Medicare segment PRB assets by \$5.0 million as of January 1, 2013. Regarding our second objective, First Coast did not fully comply with Federal requirements and its established cost accounting practice when updating the Medicare segment PRB assets from January 1, 2013, to January 1, 2019. First Coast identified Medicare segment PRB assets of \$15.3 million as of January 1, 2019; however, we determined that the Medicare segment PRB assets were \$15.1 million as of that date. Therefore, First Coast overstated the Medicare segment PRB assets as of January 1, 2019, by \$211,471. First Coast overstated 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, 2013, to January 1, 2019.

What OIG Recommends and Auditee Comments

We recommend that First Coast decrease the Medicare segment PRB assets by \$211,471 as of January 1, 2019.

First Coast agreed with our recommendation and said that it would decrease the Medicare segment PRB assets.