

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 a portion of its contractors' nonqualified plan costs.

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 nonqualified plan costs.

Our objective was to determine whether the calendar years (CYs) 2016 through 2018 nonqualified plan costs that Novitas Solutions, Inc. (Novitas), claimed for Medicare reimbursement, and reported on its ICPs, were allowable and correctly claimed.

How OIG Did This Audit

We reviewed \$1.9 million of Medicare nonqualified costs that Novitas reported on its ICPs for CYs 2016 through 2018.

Novitas Solutions, Inc., Claimed Some Unallowable Medicare Nonqualified Plan Costs Through Its Incurred Cost Proposals

What OIG Found

Novitas claimed Medicare nonqualified costs of \$1.9 million for Medicare reimbursement, through its ICPs, for CYs 2016 through 2018. However, we determined that the allowable costs during this period were \$1.8 million. The difference, \$84,291, represented unallowable nonqualified costs that Novitas should not have claimed on its ICPs for CYs 2016 through 2018. This overstatement occurred primarily because Novitas based its claims for Medicare reimbursement on incorrectly calculated Cost Accounting Standards-based nonqualified costs.

What OIG Recommends and Auditee Comments

We recommend that Novitas work with CMS to ensure that its final settlement of contract costs reflects a decrease in Medicare nonqualified costs of \$84,291 for CYs 2016 through 2018.

Novitas agreed with our recommendation and said that it would work with CMS to ensure that its final settlement of contract costs reflects a decrease in Medicare nonqualified costs.