

Report in Brief

Date: July 2017

Report No. A-07-17-00499

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL



Why OIG Did This Review

The Centers for Medicare & Medicaid Services (CMS) reimburses a portion of Medicare contractors' costs for postretirement benefit (PRB) plans. At CMS's request, the OIG, Office of Audit Services, Region VII pension audit team reviews the Medicare segment PRB assets to ensure compliance with Federal requirements.

Previous OIG reviews 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. (FCSO), complied with Federal requirements when (1) implementing the prior audit recommendation to decrease the Medicare segment PRB assets as of January 1, 2008, and (2) updating the Medicare segment PRB assets with contributions, permitted unfunded accruals, income, claims paid, participant transfers, and administrative expenses from January 1, 2008, to January 1, 2013.

How OIG Did This Review

We reviewed FCSO's implementation of the prior audit recommendation and its update of the Medicare segment PRB assets with contributions, permitted unfunded accruals, income, benefit payments (claims paid), participant transfers, and administrative expenses.

First Coast Service Options, Inc., Overstated Its Medicare Segment Postretirement Benefit Assets

What OIG Found

FCSO implemented our prior audit recommendation to recognize \$14.2 million as the Medicare segment PRB assets as of January 1, 2008. Regarding our second objective, FCSO did not fully comply with Federal requirements when updating the Medicare segment PRB assets in its CAS exhibits from January 1, 2008, to January 1, 2013. FCSO identified Medicare segment PRB assets of \$22.5 million as of January 1, 2013; however, we determined that the Medicare segment PRB assets were \$17.5 million. Therefore, FCSO overstated the Medicare segment PRB assets by \$5.0 million. FCSO overstated the Medicare segment PRB assets primarily because FCSO used an incorrect methodology when transferring prepayment credits to the Medicare segment throughout the audit period.

What OIG Recommends and Auditee Comments

We recommend that FCSO decrease its Medicare segment PRB assets by \$5.0 million as of January 1, 2013.

FCSO agreed with our recommendation and stated that the Medicare segment PRB assets would be decreased.