

Report in Brief

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



Why OIG Did This Review

The Centers for Medicare & Medicaid Services (CMS) reimburses contractors for a portion of their pension costs, which are funded by the annual contributions that contractors make to their pension plans.

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 plans, and any other pension-related cost elements claimed by Medicare contractors through Final Administrative Cost Proposals (FACPs).

Previous OIG reviews found that Medicare contractors did not always comply with Federal requirements when claiming pension costs for Medicare reimbursement.

Our objective was to determine whether the fiscal years (FYs) 2005 through 2011 pension costs that Palmetto Government Benefits Administrator, LLC (Palmetto), claimed for Medicare reimbursement under its fiscal intermediary and carrier contracts, and reported on its FACPs, were allowable and correctly claimed.

How OIG Did This Review

We reviewed \$26.7 million of pension costs claimed by Palmetto for Medicare reimbursement on its FACPs for FYs 2005 through 2011.

Palmetto Government Benefits Administrator, LLC, Generally Claimed Allowable Medicare Pension Costs

What OIG Found

Palmetto claimed FYs 2005 through 2011 pension costs of \$26.7 million for Medicare reimbursement; however, we determined that the allowable Cost Accounting Standards (CAS)-based pension costs during this period were \$27.4 million. The difference, \$686,000, represented allowable Medicare pension costs that Palmetto should have claimed on its FACPs for FYs 2005 through 2011. Palmetto did not claim these allowable Medicare pension costs primarily because it allocated an incorrect CAS pension cost to its Medicare segment.

What OIG Recommends and Palmetto Comments

We recommend that Palmetto revise its FACPs for FYs 2005 and 2011 to claim additional Medicare pension costs of \$686,000.

Palmetto concurred with our recommendation.