

## Report in Brief

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Report No. A-07-17-00513

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



### Why OIG Did This Review

The Centers for Medicare & Medicaid Services (CMS) reimburses Medicare contractors for a portion of their pension costs, which are funded by the annual contributions that these 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, postretirement benefit, and any other pension-related cost elements claimed by Medicare contractors through Incurred Cost Proposals (ICPs).

Previous OIG reviews found that Medicare contractors (MACs) have not always complied with Federal requirements when claiming pension costs for Medicare reimbursement.

Our objective was to determine whether the June 1 through December 31, 2011 (hereafter referred to as calendar year (CY) 2011), pension costs that CGS Administrators, LLC (CGS), claimed for Medicare reimbursement, and reported on its ICP, were allowable and correctly claimed.

### How OIG Did This Review

We reviewed \$71,287 of Medicare pension costs that CGS claimed for Medicare reimbursement on its CY 2011 ICP.

## CGS Administrators, LLC, Did Not Claim Some Allowable Pension Costs Through Its Incurred Cost Proposals

### What OIG Found

CGS claimed pension costs of \$71,287 for Medicare reimbursement, through its ICP, for CY 2011. However, we determined that the allowable pension costs during this period were \$83,762. The difference, \$12,475, represented allowable Medicare pension costs that CGS did not claim on its ICP for CY 2011. CGS did not claim these allowable Medicare pension costs primarily because it (1) did not allocate the correct pension costs to CGS and (2) used incorrect indirect cost rates when claiming pension costs for Medicare reimbursement.

### What OIG Recommends and Auditee Comments

We recommend that CGS work with CMS to ensure that its final settlement of contract costs reflects an increase in Medicare pension costs of \$12,475 for CY 2011.

CGS accepted our recommendation and said that it assumed that the repayment would be negotiated and settled with CMS. CGS added that it would make the necessary adjustments to the ICP.