Why OIG Did This Review
Medicare contractors are required to separately account for the Medicare segment pension plan assets based on the requirements of their Medicare contracts and Cost Accounting Standards 412 and 413.

The HHS, OIG, Office of Audit Services, Region VII pension audit team reviews the Medicare segment pension assets to ensure compliance with Federal regulations.

Previous OIG reviews found that Medicare contractors did not always correctly identify and update the segmented pension assets.

Our objectives were to determine whether Wisconsin Physicians Service Insurance Corporation (WPS) complied with Federal requirements and the Medicare contracts’ pension segmentation requirements when (1) implementing the prior audit recommendation and (2) updating the Medicare segment pension assets for the Managerial Pension Plan from January 1, 2008, to December 31, 2013.

How OIG Did This Review
We reviewed WPS’s update of the Medicare segment pension assets as of December 31, 2013, to ensure compliance with Federal regulations.

Wisconsin Physicians Service Insurance Corporation Understated Its Medicare Segment Pension Assets for Its Managerial Pension Plan

What OIG Found
WPS implemented our prior audit recommendation. However, WPS did not correctly update the Medicare segment pension assets from January 1, 2008, to December 31, 2013. WPS identified $65.6 million as the Medicare segment pension assets as of December 31, 2013; however, we determined that the Medicare segment pension assets were $68.8 million as of that date. Therefore, WPS understated the Medicare segment pension assets as of December 31, 2013, by $3.2 million. WPS understated its Medicare segment pension assets because it did not have controls to ensure that it calculated them in accordance with Federal regulations and the pension segmentation language of its Medicare contracts when updating the Medicare segment’s pension assets from January 1, 2008, to December 31, 2013.

What OIG Recommends and Auditee Comments
We recommend that WPS increase the Medicare segment pension assets by $3.2 million and recognize $68.8 million as the Medicare segment pension assets as of December 31, 2013, and implement controls, including policies and procedures, to ensure compliance with Federal regulations and the pension segmentation language of the Medicare contracts.

WPS disagreed with some of the determinations we made in developing some of our findings and, consequently, it did not concur with our recommendations. WPS stated that over $1.4 million of the difference between its calculations and our own was because it amortized the impact of a 2012 plan change over 1 year (instead of 10 years). Furthermore, WPS noted four instances in which it disagreed with our calculations associated with our identification of participant transfers and Medicare cost centers. WPS also stated that it believes it has established policies and procedures to ensure compliance with Federal regulations and the pension segmentation language of the Medicare contracts.

We disagree with WPS’s comments regarding the amortization of the 2012 plan change, participant transfers, and cost center identification. The 10-year amortization requirement appears in CAS 413. However, we revised some of our findings and the associated dollar amount in our first recommendation based on WPS’s comments on a related report (A-07-17-00517). We maintain that our findings and recommendations, as modified, are valid.

The full report can be found at https://oig.hhs.gov/oas/reports/region7/71700518.asp.