

Report in Brief

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Report No. A-07-17-00530

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 Incurred Cost Proposals (ICPs).

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

Our objective was to determine whether the calendar years (CYs) 2008 through 2013 pension costs that Wisconsin Physicians Service Insurance Corporation (WPS) claimed for Medicare reimbursement, and reported on its ICPs, were allowable and correctly claimed.

How OIG Did This Review

We reviewed \$4.9 million of Medicare pension costs that WPS reported on its ICPs for CYs 2008 through 2013.

Wisconsin Physicians Service Insurance Corporation Understated Medicare Administrative Contract Allowable Pension Costs

What OIG Found

WPS claimed Medicare pension costs of \$4.9 million for Medicare reimbursement, through its ICPs, for CYs 2008 through 2013; however, we determined that the allowable Cost Accounting Standards-based pension costs during this period were \$6.4 million. The difference, \$1.5 million, represented allowable Medicare pension costs that WPS did not claim on its ICPs for CYs 2008 through 2013. WPS did not claim these allowable Medicare pension costs primarily because it based its claim for Medicare reimbursement on incorrectly computed assignable pension costs.

What OIG Recommends and Auditee Comments

We recommend that WPS work with CMS to ensure that WPS's final settlement of contract costs reflects an increase in Medicare pension costs of \$1.5 million for CYs 2008 through 2013.

WPS disagreed with our finding and recommendation. WPS cited its comments on our prior allocable pension costs report (A-07-17-00520) in which WPS disagreed with our findings regarding the understatement of allocable Medicare segment pension costs. Specifically, WPS said that it believes that the CY 2013 costs for the pension plan that we audited for this current report should be \$0, consistent with WPS's December 31, 2013, benefit curtailment. WPS also stated that neither CMS nor we had provided any guidance supporting a pension plan change that should be amortized beyond the period of the Federal Government's participation in the plan (participation which, according to WPS, ended with the benefit curtailment effective December 31, 2013).

We maintain that our finding and recommendation remain valid. WPS cannot amortize the impact of a CY 2012 plan change (to which WPS referred in its comments on our prior report) over a 1-year period because Cost Accounting Standards 413 requires a 10-year amortization. Additionally, a plan curtailment does not constitute the end of the Federal Government's participation in a qualified defined-benefit pension plan. WPS should continue to identify Medicare pension costs as well as the Medicare segment pension assets after December 31, 2013.