

Report in Brief

Date: July 2018

Report No. A-07-18-00536

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 its contractors' Supplemental Executive Retirement Plan (SERP) costs. In claiming SERP costs, contractors must follow cost reimbursement principles contained in the Federal Acquisition Regulation, Cost Accounting Standards (CAS), and the Medicare contracts.

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 did not always correctly identify and claim SERP costs.

Our objective was to determine whether the calendar years (CYs) 2008 through 2010 SERP costs that First Coast Service Options, Inc. (FCSO), claimed for Medicare reimbursement, and reported on its ICPs, were allowable and correctly claimed.

How **OIG** Did This Review

We reviewed \$2.46 million of SERP costs that FCSO reported on its ICPs for CYs 2008 through 2010.

First Coast Service Options, Inc., Did Not Claim Some Medicare Supplemental Executive Retirement Plan Costs Through Its Incurred Cost Proposals

What **OIG** Found

The CYs 2008 through 2010 SERP costs that FCSO claimed for Medicare reimbursement, and reported on its ICPs, were not always correctly claimed. Specifically, FCSO claimed Medicare SERP costs of \$2.46 million for Medicare reimbursement, through its ICPs, for CYs 2008 through 2010. However, we determined that the allowable SERP costs during this period were \$3.53 million. The difference, \$1.06 million, represented allowable Medicare SERP costs that FCSO did not claim on its ICPs for CYs 2008 through 2010. FCSO did not claim these allowable SERP costs primarily because it based its claims for Medicare reimbursement on incorrectly calculated CAS-based SERP costs.

What **OIG** Recommends and Auditee Comments

We recommend that FCSO work with CMS to ensure that FCSO's final settlement of contract costs reflects an increase in Medicare SERP costs of \$1.06 million for CYs 2008 through 2010.

FCSO concurred with our recommendation and stated that it would work with CMS to ensure that FCSO's final settlement of contract costs reflects an increase in Medicare SERP costs of \$1.06 million for CYs 2008 through 2010.