Why OIG Did This Review
Certain 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 (CAS) 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 Group Health Incorporated (GHI) complied with Federal requirements and the Medicare contracts’ pension segmentation requirements when (1) implementing the prior audit recommendation to decrease the GHI Local 153 Plan Medicare segment pension assets as of January 1, 2009, and (2) updating the GHI Local 153 Plan Medicare segment pension assets from January 1, 2009, to January 1, 2015.

How OIG Did This Review
We reviewed GHI’s implementation of the prior audit recommendation, its identification of its Local 153 Plan Medicare segment, and its update of the Local 153 Plan Medicare segment pension assets from January 1, 2009, to January 1, 2015.

Group Health Incorporated Overstated Its Local 153 Pension Plan Medicare Segment Assets as of January 1, 2015

What OIG Found
GHI implemented our prior audit recommendation to decrease the Medicare segment pension assets by $11.3 million as of January 1, 2009. Regarding our second objective, GHI did not correctly update the Local 153 Plan Medicare segment pension assets from January 1, 2009, to January 1, 2015, in accordance with Federal requirements and the Medicare contracts’ pension segmentation requirements. GHI identified $34.2 million as the Local 153 Plan Medicare segment pension assets as of January 1, 2015; however, we determined that those assets were $31.8 million as of that date. Therefore, GHI overstated the Local 153 Plan Medicare segment pension assets as of January 1, 2015, by $2.4 million. GHI overstated those pension assets because it did not have policies and procedures to ensure that it calculated those assets in accordance with Federal requirements when updating the Local 153 Medicare segment’s pension assets from January 1, 2009, to January 1, 2015.

What OIG Recommends and Auditee Comments
We recommend that GHI decrease the Local 153 Medicare segment pension assets by $2.4 million and recognize $31.8 million as the Local 153 Medicare segment pension assets as of January 1, 2015; and develop quality assurance procedures to ensure that going forward, it calculates Medicare segment pension assets in accordance with Federal requirements.

GHI did not directly address our recommendations. However, GHI’s comments suggest that it disagreed with our recommendations. GHI referred to our disagreement with the long-term interest rate assumption that it used to compute accrued liabilities and normal cost, and cited this disagreement as a reason for the differences between GHI’s and our calculations as conveyed in some of our findings associated with the update of the Local 153 Plan Medicare segment pension assets.

We maintain that all of our calculations of the Medicare segment pension assets remain valid. Therefore, we maintain that our findings and recommendations remain valid as well.

The full report can be found at https://oig.hhs.gov/oas/reports/region7/71900562.asp