

Report in Brief

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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' nonqualified pension plan costs.

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 fiscal intermediaries and carrier contractors through Final Administrative Cost Proposals (FACPs).

Previous OIG reviews found that Medicare contractors did not always correctly identify and claim nonqualified pension costs.

Our objective was to determine whether the fiscal years (FYs) 2007 through 2013 nonqualified plans costs that National Government Services, Inc. (NGS), claimed for reimbursement under its fiscal intermediary and carrier contracts, and reported on its FACPs, were allowable and correctly claimed.

How OIG Did This Review

We reviewed \$624,697 of Medicare nonqualified plans costs that NGS claimed for Medicare reimbursement on its FACPs for FYs 2007 through 2013.

National Government Services, Inc., Claimed Some Unallowable Medicare Nonqualified Plans Costs Through Its Final Administrative Cost Proposals

What OIG Found

NGS claimed nonqualified plans costs of \$624,697 for Medicare reimbursement for FYs 2007 through 2013; however, we determined that the allowable nonqualified plans costs during this period were \$198,574. The difference, \$426,123, represented unallowable fiscal intermediary and carrier contract nonqualified plans costs that NGS claimed on its FACPs for FYs 2007 through 2013. NGS claimed these unallowable nonqualified plans costs primarily because it did not calculate those costs in accordance with Federal regulations and the Medicare contracts' requirements.

What OIG Recommends and Auditee Comments

We recommend that NGS revise its FACPs for FYs 2007 through 2013 to reduce its claimed nonqualified plans costs by \$426,123.

NGS did not specifically agree or disagree with our finding and recommendation. NGS did not dispute our classification of the Empire Plan as a deferred compensation plan, but it asked us to reconsider our approach to FYs 2000 through 2006 costs associated with an entity (Empire) that was subsequently consolidated into NGS. NGS referred to other FACP audits of those costs and stated that an adjustment had been proposed to CMS to change the historical treatment of the Empire costs to be consistent with NGS's practice for its other pension plans.

The FACP audits that reviewed Empire's costs for FYs 2000 through 2006, most of which were performed by independent accounting firms, did not properly identify the plan type before making determinations as to allowable costs. Moreover, the FYs 2000 through 2006 timeframe was outside our audit period, and as a result, we cannot opine as to whether the costs associated with FYs 2000 through 2006 are allowable.

Finally, NGS did not give us a CMS-approved copy of the proposal to change the cost accounting methodology. Even if NGS had done so, we are required to audit to the criteria relevant to the plan we are reviewing. In this case, those criteria are Cost Accounting Standards 415, based on the Federal Acquisition Regulation's mandate that if a plan (like Empire) does not offer a payment for life, it is not considered a pension plan. In view of these considerations, we maintain that our finding and recommendation remain valid.