

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' Supplemental Executive Retirement Plan (SERP) 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, nonqualified defined-benefit, postretirement benefit, 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) 2007 through 2014 SERP costs that National Government Services, Inc. (NGS), claimed for Medicare reimbursement, and reported on its ICPs, were allowable and correctly claimed.

How OIG Did This Review

We reviewed \$698,931 of Medicare SERP costs that NGS claimed for Medicare reimbursement on its ICPs for CYs 2007 through 2014.

National Government Services, Inc., Claimed Some Unallowable Medicare Supplemental Executive Retirement Plan Costs Through Its Incurred Cost Proposals

What OIG Found

The CYs 2007 through 2014 SERP costs that NGS claimed for Medicare reimbursement, and reported on its ICPs, were not always allowable and correctly claimed. Specifically, NGS claimed Medicare segment SERP costs of \$698,931 for Medicare reimbursement, through its ICPs, for CYs 2007 through 2014. However, we determined that the allowable SERP costs for this period were \$430,298. The difference, \$268,633, constituted unallowable Medicare SERP costs that NGS claimed on its ICPs for CYs 2007 through 2014. This overclaim occurred primarily because NGS used unallowable compensation when calculating its SERP costs for Medicare reimbursement.

What OIG Recommends and Auditee Comments

We recommend that NGS work with CMS to revise its ICPs for CYs 2007 through 2014 to reduce its claimed Medicare SERP costs by \$268,633.

NGS did not specifically agree or disagree with our recommendation but stated that it did not agree with the approach we took to calculate the unallowable SERP costs. NGS did not agree with the incorporation of the adjustment from the ICP audits conducted by independent accounting firms, as those adjustments, according to NGS, had not been negotiated with CMS. NGS also stated, though, that it did concur with our specific findings and added that it would establish processes to ensure that it would apply the federally established compensation benchmarks when determining benefit payments. NGS also stated that it would work with CMS to negotiate the ICP audit adjustments to determine the net impact due to or from CMS.

We revised some of our calculations of the Medicare segment SERP costs for this final report. We incorporated the ICP audit adjustments because the ICP audit report from the independent accounting firms has been issued in final. Therefore, we maintain that our finding and recommendation, as revised, are valid.