Why OIG Did This Review
The Centers for Medicare & Medicaid Services (CMS) reimburses a portion of its contractors’ postretirement benefit (PRB) 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, PRB, 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 PRB costs for Medicare reimbursement.

Our objective was to determine whether the calendar years (CYs) 2007 through 2014 PRB 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 $5.5 million of Medicare PRB costs that NGS claimed for Medicare reimbursement on its ICPs for CYs 2007 through 2014.

National Government Services, Inc., Did Not Claim Some Medicare Postretirement Benefit Plan Costs Through Its Incurred Cost Proposals

What OIG Found
The CYs 2007 through 2014 PRB costs that NGS claimed for Medicare reimbursement, and reported on its ICPs, were not always correctly claimed. Specifically, NGS claimed Medicare segment PRB costs of $5.5 million for Medicare reimbursement, through its ICPs, for CYs 2007 through 2014. However, we determined that the allowable PRB costs for this period were $8.5 million. The difference, $3 million, constituted allowable Medicare PRB costs that NGS did not claim on its ICPs for CYs 2007 through 2014. NGS did not claim these allowable Medicare PRB costs primarily because it based its claim for Medicare reimbursement on an incorrect methodology.

What OIG Recommends and Auditee Comments
We recommend that NGS work with CMS to ensure that its final settlement of contract costs reflects an increase in Medicare PRB costs of $3 million for CYs 2007 through 2014.

NGS did not specifically agree or disagree with our finding and recommendation but stated that it did not agree with the approach we took to calculate the allowable PRB costs. NGS did not agree with our methodology in incorporating adjustments from other ICP audits conducted by independent accounting firms, including the previous pension audit costs for CYs 2007 through 2009, as those adjustments, according to NGS, had not been negotiated with CMS.

We revised some of our calculations of the Medicare segment allowable PRB 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. We followed the ICP auditors’ methodology and incorporated the pension adjustments from the ICP audit findings into our own calculations. Therefore, we maintain that our finding and recommendation, as revised, are valid.

The full report can be found at https://oig.hhs.gov/oas/reports/region7/71900566.asp