Why OIG Did This Review

The Centers for Medicare & Medicaid Services (CMS) reimburses contractors for a portion of their postretirement benefit (PRB) costs, which are funded by the contributions that contractors make to their dedicated trust fund.

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, PRB, 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 PRB costs.

Our objective was to determine whether the calendar years (CYs) 2009 through 2013 PRB costs that Noridian Healthcare Solutions, LLC (NHS), claimed for Medicare reimbursement, and reported on its ICPs, were allowable and correctly claimed.

How OIG Did This Review

We reviewed negative $1.5 million of Medicare PRB costs that NHS claimed for Medicare reimbursement on its ICPs for CYs 2009 through 2013. (Negative PRB costs represent reimbursements of prior contributions in cases when there is a plan change because a contractor reduces benefits already earned by plan participants.)

Noridian Healthcare Solutions, LLC, Did Not Claim Some Allowable Medicare Postretirement Benefit Costs Through Its Incurred Cost Proposals

What OIG Found

NHS claimed PRB costs of negative $1.5 million for Medicare reimbursement, through its ICPs, for CYs 2009 through 2013; however, we determined that the allowable PRB costs during this period were negative $1.4 million. The difference, $148,216, represented allowable Medicare PRB costs that NHS did not claim on its ICPs for CYs 2009 through 2013. NHS did not claim these allowable Medicare PRB costs primarily because it used incorrect indirect cost rates when claiming PRB costs for Medicare reimbursement. Specifically, NHS used incorrect allocable PRB costs when calculating the indirect cost rates.

What OIG Recommends and Auditee Comments

We recommend that NHS work with CMS to ensure that its final settlement of contract costs reflects an increase in Medicare PRB costs of $148,216 for CYs 2009 through 2013.

NHS concurred with our recommendation. NHS stated that it would ensure that its final settlement of contract costs reflected an increase in the Medicare PRB costs of $148,216 for CYs 2009 through 2013.

The full report can be found at https://oig.hhs.gov/oas/reports/region7/71900568.asp.