Why OIG Did This Audit

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 funds.

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 audits 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) 2014 through 2016 PRB costs that Cahaba Government Benefits Administrators, LLC (Cahaba GBA), claimed for Medicare reimbursement, and reported on its ICPs, were allowable and correctly claimed.

How OIG Did This Audit

We reviewed $4.6 million of Medicare PRB costs that Cahaba GBA claimed for Medicare reimbursement on its ICPs for CYS 2014 through 2016.

Cahaba Government Benefits Administrators, LLC, Claimed Some Unallowable Medicare Postretirement Benefit Costs Through Its Incurred Cost Proposals

What OIG Found

Cahaba GBA claimed PRB costs of $4.6 million for Medicare reimbursement, through its ICPs, for CYS 2014 through 2016; however, we determined that the allowable PRB costs during this period were $251,732. The difference, $4.3 million, represented unallowable Medicare PRB costs that Cahaba GBA claimed on its ICPs for CYS 2014 through 2016. Cahaba GBA claimed these unallowable Medicare PRB costs primarily because it used an incorrect methodology when claiming PRB costs for Medicare reimbursement. More specifically, Cahaba GBA incorrectly calculated its allocable PRB costs using the accrual method instead of the pay-as-you-go method.

What OIG Recommends and Auditee Comments

We recommend that Cahaba GBA work with CMS to ensure that its final settlement of contract costs reflects a decrease in Medicare PRB costs of $4.3 million for CYS 2014 through 2016.

Cahaba GBA did not concur with our finding, and its comments on our draft report made clear that it did not agree with our recommendation. Cahaba GBA stated that an accrual method of accounting is an appropriate method to calculate allocable PRB costs provided that Federal guidelines are satisfied. Cahaba GBA also said that it believes that we based our finding on our concern over the effectiveness of the restriction on Cahaba GBA’s retiree medical account under Federal guidelines. Cahaba GBA explained the steps that it had taken to ensure that it could calculate its PRB costs using the accrual method and provided documentation, to include communications with CMS, to support its position.

After reviewing Cahaba GBA’s comments, we maintain that all of our calculations of the Medicare PRB costs remain valid and that both our finding and recommendation remain valid as well. We have concerns about several provisions of the funding mechanisms that Cahaba GBA has in place and do not believe that those mechanisms satisfy Federal requirements.

The full report can be found at https://oig.hhs.gov/oas/reports/region7/71900577.asp.