

Report in Brief

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U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL



Why OIG Did This Audit

Medicare contractors are required to separately account for the Medicare segment pension plan assets based on the requirements of their Medicare contracts and Cost Accounting Standards 412 and 413.

Our objectives were to determine whether Group Health Incorporated (GHI) complied with Federal requirements and its established cost accounting practice when (1) implementing the prior audit recommendation to increase the EmblemHealth Services Company, LLC, Employees' Retirement Plan (EHS Retirement Plan) Medicare segment pension assets as of January 1, 2015, (2) updating the EHS Retirement Plan Medicare segment pension assets from January 1, 2015, to December 31, 2015, and (3) determining Medicare's share of the Medicare segment excess pension assets or liabilities as a result of its benefit curtailment.

How OIG Did This Audit

We reviewed GHI's implementation of the prior audit recommendation, its identification of its EHS Retirement Plan Medicare segment, its update of the EHS Retirement Plan Medicare segment pension assets from January 1, 2015, to December 31, 2015, and its calculation of Medicare's share of its Medicare segment's excess pension liabilities as of December 31, 2015, as a result of its benefit curtailment.

Group Health Incorporated Overstated Its EmblemHealth Services Company, LLC, Employees' Retirement Plan Medicare Segment Pension Assets and Understated Medicare's Share of the Medicare Segment Pension Assets as of December 31, 2015

What OIG Found

GHI did not concur with or implement our prior audit recommendation to increase the EHS Retirement Plan Medicare segment pension assets by \$432,584 and recognize \$5.6 million as the EHS Retirement Plan Medicare pension asset values as of January 1, 2015.

GHI did not correctly update the EHS Retirement Plan Medicare segment pension assets from January 1, 2015, to December 31, 2015. GHI identified \$5.8 million as the EHS Retirement Plan Medicare segment pension assets as of December 31, 2015; however, we determined that those assets were \$5.4 million as of that date. Therefore, GHI overstated the EHS Retirement Plan Medicare segment pension assets as of December 31, 2015, by \$351,803.

GHI calculated \$778,811 as Medicare's share of the EHS Retirement Plan Medicare segment excess pension liabilities as of December 31, 2015; however, we calculated that Medicare's share of the surplus of the EHS Retirement Plan Medicare segment pension assets was \$404,616 as of that date. The difference, \$1.2 million, constituted allowable EHS Retirement Plan Medicare segment pension assets that GHI did not include in its curtailment adjustment.

What OIG Recommends and Auditee Comments

We recommend that GHI decrease the EHS Retirement Plan Medicare segment pension assets by \$351,803 and recognize \$5.4 million as the EHS Retirement Plan Medicare segment pension assets as of December 31, 2015; and increase Medicare's share of the EHS Retirement Plan Medicare segment excess pension assets as of December 31, 2015, by \$1.2 million and recognize \$404,616 as Medicare's share of the pension assets as a result of the benefit curtailment.

GHI did not directly address our recommendations. However, GHI's comments disagreeing with our findings suggested that it disagreed with both of our recommendations. We maintain that all of our calculations remain valid and that all of our findings and recommendations remain valid as well.