Why OIG Did This Audit
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 audits found that Medicare contractors did not always correctly identify and claim SERP costs.

Our objective was to determine whether the calendar years (CYs) 2009 through 2016 SERP costs that Group Health Incorporated (GHI) claimed for Medicare reimbursement, and reported on its ICPs, were allowable and correctly claimed.

How OIG Did This Audit
We reviewed $874,007 of SERP costs that GHI claimed for Medicare reimbursement on its ICPs for CYs 2009 through 2016.

Group Health Incorporated Overstated Its Allowable Medicare Supplemental Executive Retirement Plan Costs for Calendar Years 2009 Through 2016

What OIG Found
The CYs 2009 through 2016 SERP costs that GHI claimed for Medicare reimbursement, and reported on its ICPs, were not always allowable and correctly claimed. Specifically, GHI claimed Medicare segment SERP costs of $874,007 for Medicare reimbursement, through its ICPs, for CYs 2009 through 2016. However, we determined that the allowable SERP costs for this period were $287,273. The difference, $586,734, constituted unallowable Medicare SERP costs that GHI claimed on its ICPs for CYs 2009 through 2016. This overclaim occurred primarily because GHI did not amortize its lump-sum SERP payments.

What OIG Recommends and Auditee Comments
We recommend that GHI work with CMS to revise its ICPs for CYs 2009 through 2016 to reduce its claimed SERP costs by $586,734.

GHI did not directly address our recommendation. However, GHI’s comments disagreeing with our findings in this and related reports suggested that it disagreed with our recommendation. Specifically, GHI stated that we incorrectly incorporated ceiling rates when determining GHI’s final indirect cost rates for CYs 2009 through 2016. We maintain that we correctly incorporated ceiling rates when determining GHI’s final indirect cost rates for CYs 2009 through 2016 and that, accordingly, all of our calculations of the allowable Medicare SERP costs remain valid. Therefore, we maintain that our finding and recommendation remain valid as well.

The full report can be found at https://oig.hhs.gov/oas/reports/region7/71900582.asp.