

## Report in Brief

Date: April 2020

Report No. A-07-20-00586

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 Cost Accounting Standards (CAS) 412 and 413.

The HHS, OIG, Office of Audit Services, Region VII pension audit team reviews the Medicare segment pension assets to ensure compliance with Federal regulations. Previous OIG audits found that Medicare contractors did not always correctly identify and update the segmented pension assets.

Our objectives were to determine whether Palmetto Government Benefits Administrator, LLC (Palmetto), complied with Federal requirements and the Medicare contracts' pension segmentation requirements when (1) implementing the prior audit recommendation to increase the Medicare segment pension assets as of January 1, 2013, and (2) updating the Medicare segment pension assets from January 1, 2013, to January 1, 2017.

### How OIG Did This Audit

We reviewed Palmetto's implementation of the prior audit recommendation, its identification of its Medicare segment, and its update of the Medicare segment pension assets from January 1, 2013, to January 1, 2017.

## Palmetto Government Benefits Administrator, LLC, Overstated Its Medicare Segment Pension Assets as of January 1, 2017

### What OIG Found

Palmetto concurred with our prior audit recommendation to increase the Medicare segment pension assets by \$1.0 million as of January 1, 2013. We were unable, however, to determine whether Palmetto had actually implemented this recommendation. Regarding our second objective, Palmetto did not correctly update the Medicare segment pension assets from January 1, 2013, to January 1, 2017, in accordance with Federal regulations and the Medicare contracts' pension segmentation requirements. Palmetto identified \$75.8 million as the Medicare segment pension assets as of January 1, 2017; however, we determined that those assets were \$73.6 million as of that date. Therefore, Palmetto overstated the Medicare segment pension assets as of January 1, 2017, by \$2.1 million. Palmetto overstated those pension assets because it did not have policies and procedures to ensure that it calculated those assets in accordance with Federal requirements when updating the Medicare segment's pension assets from January 1, 2013, to January 1, 2017.

### What OIG Recommends and Auditee Comments

We recommend that Palmetto decrease the Medicare segment pension assets by \$2.1 million and recognize \$73.6 million as the Medicare segment pension assets as of January 1, 2017, and establish policies and procedures to ensure compliance with Federal requirements and the pension segmentation language of the Medicare contracts. Palmetto concurred with our recommendations.